

*In the opinion of Potter Anderson & Corroon LLP, Wilmington, Delaware, Bond Counsel, assuming continuing compliance by the Issuer with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, regulations and court decisions, interest on the Series 2005 Bonds is excluded from gross income of the owners thereof for purposes of federal income taxes. Interest on the Series 2005 Bonds will not be an item of tax preference in computing the federal alternative minimum tax for individuals and corporations; however, interest on the Series 2005 Bonds is includable in the relevant income computation for calculation of a corporation's liability with respect to the alternative minimum tax. Bond Counsel is also of the opinion that, under existing statutes, such interest will be excluded from taxable income for the purposes of the personal and corporate income taxes imposed by the State of Delaware. (See "Tax Matters" herein.)*



**\$18,500,000**  
**Sussex County, Delaware**  
**Wastewater Revenue Refunding Bonds**  
**(West Rehoboth Expansion Sewer Project) Series 2005**

**Dated: December 15, 2005**  
**Due: June 15, as shown below**

**Interest Payable: June 15 and December 15**  
**First Interest Payment Date: June 15, 2006**

**Maturity Schedule**

<u>Maturity</u> <u>(June 15)</u>	<u>Principal</u> <u>Amt.</u>	<u>Interest</u> <u>Rate</u>	<u>Price/</u> <u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u> <u>(June 15)</u>	<u>Principal</u> <u>Amt.</u>	<u>Interest</u> <u>Rate</u>	<u>Price/</u> <u>Yield</u>	<u>CUSIP</u>
2006	\$ 520,000	3.500%	3.150%	869263BG7	2016	\$ 920,000	4.000%	4.040%	869263BS1
2007	660,000	3.500	3.200	869263BH5	2017	955,000	4.000	4.100	869263BT9
2008	685,000	3.500	3.250	869263BJ1	2018	990,000	4.000	4.150	869263BU6
2009	710,000	3.500	3.320	869263BK8	2019	1,035,000	4.250	100.300	869263BV4
2010	730,000	3.750	3.400	869263BL6	2020	1,070,000	4.250	4.250	869263BW2
2011	765,000	3.750	3.500	869263BM4	2021	1,120,000	4.250	4.300	869263BX0
2012	790,000	3.750	3.600	869263BN2	2022	1,170,000	4.250	4.350	869263BY8
2013	820,000	3.750	100.305	869263BP7	2023	1,220,000	4.350	4.400	869263BZ5
2014	850,000	3.750	3.800	869263BQ5	2024	1,275,000	4.375	4.450	869263CA9
2015	885,000	4.000	100.181	869263BR3	2025	1,330,000	4.500	4.500	869263CB7

**Payable:** The Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project) Series 2005 (the "Series 2005 Bonds") are issued by Sussex County, Delaware (the "County"). The Series 2005 Bonds are issued only as fully registered bonds, registered in the name of Cede & Co, as registered owner and nominee of The Depository Trust Company ("DTC"), pursuant to the "Book-Entry-Only System" described herein. Beneficial ownership of the Series 2005 Bonds may be acquired in denominations of \$5,000 and integral multiples thereof. Principal of and interest on the Series 2005 Bonds are payable by a transfer from the Trustee to DTC for the accounts of the DTC Participants who will credit the accounts of the beneficial owners. For a more complete discussion, See "THE SERIES 2005 BONDS — Book-Entry-Only System" herein.

**Redemption:** The Series 2005 Bonds are subject to optional redemption prior to maturity as further described herein.

**Purpose:** The proceeds of the Series 2005 Bonds will be used to (i) currently refund the Sussex County, Delaware Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 1995 Bonds (the "Series 1995 Bonds"), the proceeds of which were used to advance refund the Sussex County, Delaware Wastewater Revenue Bonds (West Rehoboth Expansion Sewer System), Series 1994 (the "Series 1994 Bonds"), the proceeds of which were used for the acquisition, installation and construction of a new wastewater collection, transmission and treatment system in the West Rehoboth area of the County which, at that time, was without a public wastewater treatment system and (ii) pay the costs of issuance of the Series 2005 Bonds. The Series 2005 Bonds are being issued pursuant to authority granted by Title 9 of the Delaware Code, Chapter 67, as amended (the "Act"), and proceedings taken by the County Council, particularly an Ordinance adopted on October 11, 2005 (the "Ordinance"), and under the terms of a Trust Agreement dated as of April 1, 1994 between the County and Wilmington Trust Company, as trustee (the "Trustee"), as supplemented and amended (as so amended and supplemented, the "Trust Agreement"). The Trustee will also serve as the Paying Agent for the Series 2005 Bonds.

**Source of Payment:** The Series 2005 Bonds are special, limited obligations of the County payable solely from and secured by a pledge of the Gross Revenues of the collection, transmission and treatment facilities of the West Rehoboth Expansion of the Dewey Beach Sanitary Sewer District plus the facilities of any other sewer system identified in a Supplemental Agreement (the "Authorized Facilities").

The scheduled payment of principal of and interest on the Series 2005 Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2005 Bonds.



THE SERIES 2005 BONDS ARE NOT A GENERAL OBLIGATION OF THE COUNTY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY NOR THE STATE OF DELAWARE IS PLEDGED TO THE PAYMENT OF THE SERIES 2005 BONDS AND THE SERIES 2005 BONDS DO NOT AND SHALL NOT BE DEEMED TO CREATE A DEBT OR LIABILITY OF THE STATE OF DELAWARE, THE COUNTY OR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE LIMITED OBLIGATION OF THE COUNTY TO MAKE PAYMENT FROM THE GROSS REVENUES.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2005 Bonds are offered for delivery when, as and if issued, subject to the receipt of the opinion of Potter Anderson & Corroon LLP, Bond Counsel as to certain matters. Certain other legal matters will be passed upon for the County by its counsel, Griffin & Hackett, P.A. It is expected that the Series 2005 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about December 15, 2005.

**WACHOVIA BANK, NATIONAL ASSOCIATION**

**Dated: December 7, 2005**

**SUSSEX COUNTY, DELAWARE**

**County Council**

Finley B. Jones, Jr., President  
Lynn J. Rogers, Vice President  
Dale R. Dukes  
George B. Cole  
Vance C. Phillips

**County Administrator**

Robert L. Stickels

**Finance Director**

David B. Baker

---

**County Attorney**

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Georgetown, Delaware

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Georgetown, Delaware

**Bond Counsel**

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Wilmington, Delaware

**Financial Advisor**

Fairmount Capital Advisors, Inc.  
Philadelphia, Pennsylvania

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APPENDIX A: Sussex County, Delaware Comprehensive Annual Financial Report for Fiscal Year ended  
June 30, 2004

APPENDIX B. Map of West Rehoboth System Area

APPENDIX C: Summary of Trust Agreement

APPENDIX D: Proposed Form of Opinion of Bond Counsel

APPENDIX E: Form of Continuing Disclosure Agreement

APPENDIX F Financial Guaranty Insurance Policy

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representation, other than those contained in this Official Statement. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2005 Bonds, nor shall there be any sales of any of the Series 2005 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained herein has been furnished by the County and other sources which are believed by the County to be reliable, but it is not guaranteed as to accuracy or completeness. The information from sources other than the County shall not be construed to be a representation of the County. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2005 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

All quotations from and summaries and explanations of provisions of laws and documents in this Official Statement do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice; neither the delivery of this Official Statement nor any sale of the Series 2005 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

THE SERIES 2005 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE WEST REHOBOTH EXPANSION SEWER SYSTEM AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## **SUMMARY STATEMENT**

**THE INFORMATION CONTAINED IN THIS SUMMARY STATEMENT IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT. THE SERIES 2005 BONDS ARE OFFERED BY MEANS OF THE ENTIRE OFFICIAL STATEMENT AND NO ONE IS AUTHORIZED TO DETACH THIS SUMMARY FROM THIS OFFICIAL STATEMENT OR TO USE IT WITHOUT THE ENTIRE OFFICIAL STATEMENT.**

### **Issuer**

Sussex County, Delaware (the "County").

### **Purpose of Issue**

To finance the current refunding of the Sussex County, Delaware, Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 1995 (the "Series 1995 Bonds") which were issued to advance refund the Sussex County, Delaware Wastewater Revenue Bonds (West Rehoboth Expansion Sewer System), Series 1994 (the "Series 1994 Bonds"), which were issued to finance a portion of the cost of a wastewater collection, transmission and treatment system for the West Rehoboth area of the County (the "West Rehoboth System") and to pay the costs of issuance of the Series 2005 Bonds. The initial total cost of the West Rehoboth System (as defined herein) was \$99,759,000. The West Rehoboth System was also financed with capitalization fees charged to property owners in the area serviced by the West Rehoboth System, proceeds of general obligation bonds of the County placed with the United States Department of Agriculture, Rural Utilities Service ("RUS") and proceeds of subordinate obligations and general obligation bonds placed with the Delaware Water Pollution Control Revolving Fund acting by and through the Delaware Department of Natural Resources and Environmental Control ("DNREC"), County grants and developer contributions.

Upon the issuance of the Series 2005 Bonds, all of the Series 1995 Bonds will be refunded and will no longer be Outstanding under the Trust Agreement dated as of April 1, 1994 between the County and Wilmington Trust Company, as trustee, as supplemented and amended, including Supplemental Agreement No. 6 dated as of April 1, 2004 (as so amended and supplemented, the "Trust Agreement").

### **Series 2005 Bonds**

Sussex County, Delaware, Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project) Series 2005, dated December 15, 2005, in the aggregate principal amount of \$18,500,000.

### **Authorization**

The Series 2005 Bonds are being issued pursuant to the authorization set forth in Title 9, Delaware Code, Chapter 67 and an Ordinance adopted by the County Council on October 11, 2005 and pursuant to the terms of the Trust Agreement

**Limited Obligations**

The Series 2005 Bonds are limited obligations of the County payable solely from the Gross Revenues of the West Rehoboth System and any other sewer facilities subsequently included as "Authorized Facilities.

**Authorized Denominations**

\$5,000 or integral multiples thereof

**Maturity**

The Series 2005 Bonds will mature as shown on the front cover of this Official Statement.

**Interest**

The Series 2005 Bonds will bear interest at the rates set forth on the front cover of this Official Statement. Interest will be payable on each June 15 and December 15, commencing June 15, 2006.

**Book Entry**

Each maturity of the Series 2005 Bonds will be issued as a single registered bond in a denomination equal to the original aggregate principal amount of the Series 2005 Bonds of such maturity.

The Series 2005 Bonds will initially be issued in registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of beneficial interests in the Series 2005 Bonds will be available in book-entry form only. So long as Cede & Co. is the registered owner of the Series 2005 Bonds, principal of, premium, if any, and interest on the Series 2005 Bonds will be paid by the Trustee to DTC, and DTC will remit such amounts to the DTC Participants for subsequent disbursement to the beneficial owners as more fully set forth herein.

**West Rehoboth System Area**

The Series 2005 Bonds are payable solely from Gross Revenues of the Authorized Facilities which initially will include only the West Rehoboth System. The area to be served by the West Rehoboth System and from which the Gross Revenues will be derived (the "West Rehoboth System Area") will be an area covering approximately 19.7 square miles located generally along either side of Route 1 from the Lewes and Rehoboth Canal on the east, northwesterly to the Red Mill Pond area and including various adjoining residential developments. *See APPENDIX B* for a description of the West Rehoboth System Area. Approximately 74% of the development in the West Rehoboth System Area is residential providing both vacation homes and homes for permanent residents and 25% of the West Rehoboth System Area is commercial. Prior to the development of the West Rehoboth System Area, the area had no central wastewater collection and treatment system and the area was served almost exclusively by septic systems. Residents of the West Rehoboth System Area are required to discontinue use of septic systems and to connect to the West Rehoboth System.

## **Security; Source of Payment**

The Series 2005 Bonds are special, limited obligations of the County payable solely from and secured by a pledge of the Gross Revenues of the West Rehoboth System and any other Authorized Facilities.

Neither the full faith and credit nor the taxing power of the County is pledged to pay the principal of, premium, if any, or interest on the Series 2005 Bonds.

The "Gross Revenues" as defined in the Trust Agreement, include all assessments, fees and charges made or imposed by the County with respect to the use or benefit of the Authorized Facilities (including, but not limited to, permit and inspection fees, connection fees, front footage assessments and service charges) plus all investment earnings on funds maintained under the Trust Agreement which are to be deposited in the Revenue Fund or the Debt Service Fund. *See* "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 BONDS—***Rate Covenant***" for a description of the County's rate covenant with respect to the Series 2005 Bonds.

The assessments, fees and charges imposed by the County for use of the West Rehoboth System are as follows: (1) annual front-foot assessment fees, (2) permit and inspection fees, (3) annual service charges and (4) connection fees.

## **Risk Factors**

The sole sources of funds from which the principal of, premium, if any, and interest on the Series 2005 Bonds will be paid are funds and accounts held under the Trust Agreement and the Gross Revenues of the Authorized Facilities. Receipt of such Gross Revenues, the amount of such Gross Revenues and the timing of the receipt of such Gross Revenues, as well as many other factors, will all affect the County's ability to pay the Series 2005 Bonds. Some of the resulting risk factors are described herein under the caption "RISK FACTORS."

## **Financial Guaranty Insurance Policy**

The scheduled payment of the principal of, premium, if any, and interest on the Series 2005 Bonds has been insured by the MBIA Insurance Corporation pursuant to a Financial Guaranty Insurance Policy. *See* "MUNICIPAL BOND INSURANCE," herein.



**SUSSEX COUNTY, DELAWARE  
OFFICIAL STATEMENT**

**\$18,500,000  
Sussex County, Delaware  
Wastewater Revenue Refunding Bonds  
(West Rehoboth Expansion Sewer Project) Series 2005**

**INTRODUCTION**

This Official Statement, including the cover page and the appendices hereto, is furnished to provide information to prospective purchasers and others in connection with the offering by Sussex County (the "County"), a political subdivision of the State of Delaware (the "State"), of its \$18,500,000 Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 2005 (the "Series 2005 Bonds").

The Series 2005 Bonds are being issued pursuant to authority granted by Title 9 of the Delaware Code, Chapter 67, as amended (the "Act"), and proceedings taken by the County Council, particularly an Ordinance adopted on October 11, 2005 (the "Ordinance"), and under the terms of a Trust Agreement dated as of April 1, 1994 between the County and Wilmington Trust Company, as trustee, as supplemented and amended, including Supplemental Agreement No. 6 dated as of April 1, 2004 (as so amended and supplemented, the "Trust Agreement").

The Series 2005 Bonds are being issued to (i) currently refund the County's Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 1995 (the "Series 1995 Bonds") proceeds of which were used to advance refund the County's Wastewater Revenue Bonds (West Rehoboth Expansion Sewer System), Series 1994 (the "Series 1994 Bonds") the proceeds of which were used to pay a portion of the costs of the planning, construction, acquisition and installation of sanitary sewer collection, transportation, treatment and disposal facilities (the "West Rehoboth System") which is designed to serve an approximately 19.7 square mile area of the County located along either side of U.S. Route 1 near the Atlantic Ocean beach areas, from the Lewes and Rehoboth Canal on the east, northwesterly to the Red Mill Pond area and including nearby commercial and residential developments (the "West Rehoboth System Area") and (ii) to pay the costs of issuance of the Series 2005 Bonds.

Prior to the development of the West Rehoboth System, the area was not serviced by a central sewer system. The residences and businesses in that area used septic systems, but septic systems are no longer permitted. The initial total cost of the West Rehoboth System was approximately \$99,759,000 and it was financed by: (1) the proceeds of the Series 1994 Bonds, (2) proceeds of revenue bonds, subordinate to the Series 1994 Bonds issued to the Delaware Water Pollution Control Revolving Fund acting by and through State Department of Natural Resources and Environmental Control ("DNREC") (the "Subordinate 1994 Bonds"), (3) proceeds of general obligation bonds of the County purchased by the United States Department of Agriculture, Rural Utilities Service (the "RUS Loan") (4) proceeds of the 1997 SRF Loan which is also backed by the County's General Obligation (the "1997 SRF Loan") (collectively, the Subordinate 1994 Bonds, the RUS Loan and the 1997 SRF Loan are referred to herein as the "Subordinate Obligations"), (5) capitalization fees imposed on property owners within the area served by the System; (6) County grants and (7) developer contributions.

The Series 2005 Bonds are to be secured by and payable solely from the "Gross Revenues" of the System and any other sewer system which may subsequently be identified in a supplement to the Trust

Agreement (the "Authorized Facilities"). The Trust Agreement defines the Gross Revenues as all assessments, fees and charges made or imposed by the County with respect to the use or benefit of the Authorized Facilities (including, but not limited to, capitalization fees, connection fees, front footage assessments and service charges) plus all investment earnings on funds maintained under the Trust Agreement and which are to be deposited in the Revenue Fund or the Debt Service Fund (see the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 BONDS--*Flow of Funds*"). See APPENDIX A—SUSSEX COUNTY, DELAWARE'S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2004.

Under the Trust Agreement, the County is permitted to issue additional bonds payable from the Gross Revenues on parity with the Series 2005 Bonds (the "Additional Bonds"). The Series 2005 Bonds together with any Additional Bonds are herein referred to as the "Bonds."

Copies of the Ordinance and the Trust Agreement may be obtained upon request from the office of the County Administrator, Sussex County, Delaware, Courthouse, P.O. Box 589, Georgetown, Delaware 19947. These documents are also available for review on the County's website, [www.sussexcountysde.gov](http://www.sussexcountysde.gov).

## **SUSSEX COUNTY, DELAWARE**

### ***Government***

The State of Delaware is composed of three counties—Sussex, New Castle and Kent—of which the southernmost is Sussex. All of the towns and cities located in the County are independent, incorporated municipalities, each with powers of taxation, as granted by the General Assembly. Georgetown is the County seat.

The County Government was established on July 23, 1970, replacing the Levy Court Commission with a Council-Administrator form of government. The powers and duties of the government are set forth in Chapter 70 of Title 9 of the Delaware Code, as amended. The Government is composed of a legislative body, the County Council, and an administrative body, including several operating departments and offices which are administered by officials elected at-large.

The County Council, which has legislative powers, consists of five members representing each of the County's respective districts. The members are elected to four-year staggered terms. The County Council annually elects, from among its members, a President and a Vice President of the County Council listed below are the names of the current members of the County Council and their respective terms:

[Remainder of Page Intentionally Blank]

<u>Name</u>	<u>District</u>	<u>First Term Began</u>	<u>Current Term Expires</u>
Finley B. Jones, Jr., President	No. 2	1997	2009
Lynn J. Rogers, Vice President	No. 3	1997	2009
Dale R. Dukes	No. 1	1989	2009
George B. Cole	No. 4	1987	2007
Vance C. Phillips	No. 5	1999	2007

The County Administrator, Robert L. Stickels, has worked for the County Council since January 1988. The Finance Director, David B. Baker, has worked for the County Council since April 1978.

The County Administrator is appointed by the County Council and is responsible for the entire range of executive, administrative and fiscal duties performed by all County departments, agencies and offices. The County Administrator, with the advice and consent of the County Council, appoints the directors of the departments of the County, with the exception of the Finance Director and the County Engineer, who are also appointed by the County Council.

### ***County Departments and Services***

The County provides a variety of services to its constituents that include, among others, sewage collection and treatment as well as paramedic services, planning and zoning and the operation of libraries. The County also owns the Sussex County Airport, the operation of which is leased to an independent contractor.

County services are provided through the following operating departments: the Department of Facilities Management, which provides maintenance and custodial services to buildings under County administration; the Department of Community Development and Housing, which administers the County's housing management and neighborhood conservation programs; the Department of Data Processing, which handles computerization of records and tax assessment bills; the Department of Economic Development and Industrial Parks, which promotes commercial and industrial business in the County, particularly in connection with the industrial park; the Department of Emergency Planning, which directs County Civil Defense programs and which coordinates any reserve or emergency operations; the Department of Engineering, which administers and operates the County's sanitary sewer and drainage systems; the Department of Finance, which directs and coordinates the financial activities of the County's operational departments and offices; the Department of Libraries, which administers and operates a unified library system; the Department of Personnel, which administers employee benefit and development programs; and the Paramedic Department, which provides emergency paramedic response services.

## ***Sewer Districts***

The County operates and maintains various sewer collection systems, which serve eleven (11) sanitary sewer districts within the County. The Cities of Rehoboth, Seaford, Georgetown and a few other incorporated areas, operate and maintain their own sewer lines. Sewer collection systems served by the County's South Coastal Regional Wastewater Facility include the Bethany Beach Sanitary Sewer District, the South Bethany Sanitary Sewer District, Holts Landing Sewer District, Miller Creek Sewer District and the Fenwick Island Sanitary Sewer District. There are six (6) sewer districts in the County which are not served by the County's South Coastal Regional Wastewater Facility: the Blades Sanitary Sewer District, the Dewey Beach Sanitary Sewer District, the Henlopen Acres Sewer District, the Long Neck Sanitary Sewer District, the Ellendale Sanitary Sewer District and the Dagsboro/Frankford Sanitary Sewer District. The original Dewey Beach Sanitary Sewer District and Henlopen Acres Sewer District sewerage is conveyed to and treated by the City of Rehoboth Beach sewer treatment plant. The Blades Sanitary Sewer District sewerage is conveyed to the Seaford Sewer Treatment Plant. The Long Neck Sanitary Sewer District sewerage is treated by a treatment plant operated by the County which only serves such District. The County Industrial Park utilizes water and sewer facilities owned and operated by the County which only serve the Industrial Park, but the Industrial Park utilizes the City of Georgetown treatment facilities. Effective April 1, 1993, the Dagsboro/Frankford Sanitary Sewer District became operational and it utilizes a treatment plant operated by the County which only serves that district. The West Rehoboth System utilizes a treatment plant operated by the County which serves the West Rehoboth System. The West Rehoboth System is a part of the Dewey Beach Sanitary Sewer District.

## ***Sewer Facilities Operations***

Approximately 48,454 residential and commercial parcels ("Equivalent Dwelling Units" or "EDUs") utilize sanitary sewer systems that are operated and maintained by the County. Those systems, which encompass approximately 602 miles of sewer lines, transmit wastewater primarily to regional treatment plants owned and operated by the County. Commercial users are billed a minimum charge equal to the fixed rate charged residential users based upon the Equivalent Dwelling Units allocated to each commercial user. The County obtains sewer revenues through sewer service charges, front foot assessments, permit fees and connection charges. Sewer service charges are billed to users of the sewer systems in the sewer districts and front foot assessments are assessed on properties within the sewer districts based upon the front footage of the property.

## **THE SERIES 2005 BONDS**

### ***Form and Denomination***

The Series 2005 Bonds will be dated December 15, 2005, issued in the aggregate principal amount of \$18,500,000 and mature, subject to prior redemption as hereinafter described, on June 15 in the principal amounts and on the dates described on the cover page of this Official Statement. The Series 2005 Bonds will bear interest from December 15, 2005 at the rate or rates set forth on the cover page of this Official Statement. Interest on the Series 2005 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable on June 15 and December 15 of each year commencing June 15, 2006. Each June 15 and December 15 is herein referred to as an "Interest Payment Date."

## ***Redemption***

Optional Redemption. The Series 2005 Bonds maturing on or prior to June 15, 2012 may not be called for redemption prior to maturity.

On and after December 15, 2012, the Series 2005 Bonds maturing on or after June 15, 2013 may be redeemed at the option of the County, from any moneys that may be made available for such purpose in whole or in part, at any time, at par plus interest accrued to the date fixed for redemption.

## ***Notice of Redemption***

Redemption Notice. At least 30 days but no more than 60 days before the redemption date of any Series 2005 Bond, whether such redemption be as a whole or in part, the Trustee shall cause a notice of any such redemption signed by the Trustee, to be mailed, first-class, postage prepaid, to all owners of Series 2005 Bonds or portions of Series 2005 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee, but any defect in such notice or failure so to mail any such notice shall not affect the validity of the proceedings for such redemption of any other Series 2005 Bonds.

Effect of Calling for Redemption. On the date so designated for redemption, notice having been mailed in the manner and under the conditions hereinabove provided, the Series 2005 Bonds or portions of Series 2005 Bonds so called for redemption shall become and be due and payable at the redemption price provided therefor, plus accrued interest to such date. If money or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of the Series 2005 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Trustee in trust for the holders of Series 2005 Bonds or portions thereof to be redeemed, interest on the Series 2005 Bonds or portions of Series 2005 Bonds so called for redemption shall cease to accrue after the date fixed for redemption, such Series 2005 Bonds or portions of Series 2005 Bonds shall cease to be entitled to any benefit or security under the Trust Agreement or to be deemed outstanding, and the holders of such Series 2005 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof and the accrued interest to the redemption date.

## ***Book-Entry Only System***

*Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system have been obtained from DTC. The County (sometimes herein referred to as the "Issuer") and the Financial Advisor make no representation as to the accuracy of such information.*

DTC, New York, New York, will act as securities depository for the Series 2005 Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues

of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2005 Bond with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2005 Bond documents. For example, Beneficial Owners of the Series 2005 Bonds may wish to ascertain that the nominee holding the Series 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2005 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Series 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Issuer or agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Series 2005 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Issuer takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE PAYING AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2005 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE SERIES 2005 BONDS TO BE GIVEN TO THE OWNER OF THE SERIES 2005 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

#### ***Discontinuation of Book-Entry System***

DTC may determine to discontinue providing its service with respect to the Series 2005 Bonds at any time by giving reasonable notice to the County and the Paying Agent and discharging its

responsibilities with respect thereto under applicable law. In addition, the County may discontinue the book-entry only system for the Series 2005 Bonds at any time if it provides thirty (30) days' notice of such discontinuation to the Paying Agent and DTC that continuation of the book-entry only system is not in the best interest of the County. Upon the giving of such notice, the book-entry only system for the Series 2005 Bonds will be discontinued unless a successor securities depository is appointed by the County.

### ***Registration and Transfer of the Series 2005 Bonds***

The Bond Registrar shall keep a register (the "Bond Register") for the registration of ownership and transfers of the Series 2005 Bonds.

In all cases in which Series 2005 Bonds are transferred, the Paying Agent may charge the registered owner of such Series 2005 Bonds for such transfer in an amount sufficient to reimburse the Paying Agent for any tax, fee or other governmental charge required to be paid with respect to such transfer. The Paying Agent is not required to make any such transfer of Series 2005 Bonds if notice that the Series 2005 Bonds or any portion of a Series 2005 Bond to be transferred or exchanged has been called for redemption.

The Series 2005 Bonds may be exchanged, and the transfer of the Series 2005 Bonds may be registered, at the principal corporate trust office of the Paying Agent in Wilmington, Delaware.

If any Series 2005 Bond is mutilated, lost, stolen or destroyed, the County is to execute and the Paying Agent is to authenticate and deliver a new Series 2005 Bond in lieu of such mutilated, lost, stolen or destroyed Series 2005 Bond, of like maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in all cases, the Person in whose name the Series 2005 Bond is registered shall provide indemnity to the County and to the Paying Agent against any and all claims arising out of or otherwise related to the issuance of a substitute Series 2005 Bond; in the case of any mutilated Series 2005 Bond, such mutilated Series 2005 Bond is first surrendered to the Paying Agent; and in the case of any lost, stolen or destroyed Series 2005 Bond, there must first be furnished to the Paying Agent and the County, by the Person in whose name the Series 2005 Bond is registered, evidence of the ownership of such Series 2005 Bond and of such loss, theft or destruction satisfactory to the Paying Agent and the County. Notwithstanding the foregoing, the Paying Agent shall not be required to authenticate and deliver any substitute Series 2005 Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or Redemption Price then due or becoming due shall be paid by the Paying Agent in accordance with the terms of the mutilated, lost, stolen or destroyed Series 2005 Bond without substitution thereto.

### ***Persons Treated as Owners***

The Person in whose name any Series 2005 Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of any such Series 2005 Bond will be made only to or upon the order of the registered owner thereof, or such owner's duly authorized attorney or legal representative, and neither the County nor the Paying Agent will be affected by any notice to the contrary. All such payments will be valid and effectual to satisfy and discharge the liability upon such Series 2005 Bond to the extent of the sum or sums to be paid.



## SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 BONDS

### *General*

The Series 2005 Bonds are special, limited obligations of the County payable solely from and secured by a pledge of the Gross Revenues of the System and any other Authorized Facilities.

Neither the full faith and credit nor the taxing power of the County is pledged to pay the Series 2005 Bonds.

### *Gross Revenues*

The "Gross Revenues," as defined in the Trust Agreement, include all assessments, fees and charges made or imposed by the County with respect to the use or benefit of the Authorized Facilities (including, but not limited to, permit and inspection fees, connection fees, front footage assessments and service charges) plus all investment earnings on funds maintained under the Trust Agreement which are to be deposited in the Revenue Fund or the Debt Service Fund. *See* "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2005 BONDS-*Rate Covenant*" for a description of the County's rate covenant with respect to the Bonds. "Authorized Facilities" are defined as all collection, transmission and treatment facilities of the West Rehoboth System of the Dewey Beach Sanitary Sewer District plus the facilities of any other sewer system identified in a Supplemental Agreement.

The assessments, fees and charges imposed by the County for use of the West Rehoboth System are as follows: (1) annual front-foot assessment fees, (2) permit and inspection fees, (3) annual service charges, and (4) connection fees.

Annual Assessment Fee. The County charges an annual assessment fee for the West Rehoboth System to cover the debt service on funds borrowed to pay the costs of the collection, transmission and treatment facilities. In addition, some debt service is also covered by service charges and connection charges. The current front foot assessment charge for Fiscal 2006 is \$4.65 per billable front foot for the West Rehoboth Sewer Expansion Project. This rate has been reduced from the original Fiscal 1996 level of \$5.31 per front foot. The County now provides a front footage subsidy for residential properties with over 100 billable front feet. The County pays the front footage assessment charge that exceeds 100 front feet for residential properties that are not delinquent in payment of their County taxes and other charges. When this program began during Fiscal 2005 the County paid the front footage assessment charge for residential properties exceeding 125 front feet. During Fiscal 2006 the subsidy was expanded to include current residential properties exceeding 100 front feet. This subsidy is not mandated, but is strictly at the discretion of the County Council as determined on a yearly basis. There are currently 1,903 West Rehoboth System customers receiving this subsidy which costs the County approximately \$224,000 per year. The County uses realty transfer tax revenues to fund this program.

Permit and Inspection Fees. The County charges a permit fee of \$100 per EDU to each user at the time such user connects to the West Rehoboth System. In addition, the County charges inspection fees related to new developments within the West Rehoboth System.

Annual Service Charges. The County imposes an annual sewer service charge upon each EDU. Initially that charge was \$202 per EDU. Currently, the annual sewer service charge is \$212 per EDU. A description of the determination of an EDU is set forth in this Official Statement under the caption "WEST REHOBOTH SYSTEM AREA—*Current Development of the West Rehoboth System Area.*" In

accordance with a Financing Agreement between Sussex County and DNREC dated as of April 1, 1994 (the "Financing Agreement"), the Annual Assessment plus Service Charge (in the aggregate) for properties with one (1) EDU and 150 front feet may be held constant at a specified minimum level, based on front footage for the first four years after the Project was completed even if the County is unable to pay scheduled debt service on the Subordinate 1994 Bonds. However, under the Financing Agreement, after those first four years, the Annual Assessment plus Service Charge (in the aggregate) must be increased by a minimum of 3% per year for a property with one (1) EDU and 150 front feet, with corresponding increases for all other properties. The County may exceed these minimum rate requirements during this time period if the financial situation of the System warrants such action. Also, the County may reduce these rates during the first thirteen years of operations only if sufficient funds are available to meet a level debt service schedule for the Subordinate 1994 Bonds. *See* "WEST REHOBOTH SYSTEM-Comparative Rates of Other Sewer Districts in the County" herein for a description of rates charged by other sewer districts in the State. As of this date, the County has met the level debt service schedule for the State loans and anticipates that it will be able to meet the level debt service schedules in the future as well.

Connection Fees. The County imposed a West Rehoboth System connection charge to recover a proportionate share of off-site capital costs from those new West Rehoboth System users who benefited from the constructed facilities. Once the West Rehoboth System was completed and the first year hook-up expired, new development is charged the applicable connection fee. In Fiscal 2006 the County charges \$3,716 per EDU. The County estimates that this fee will increase at a rate of approximately three percent (3%) per year, based on a construction cost index.

Rate Setting Procedures and Billing. The Department of Engineering for the County prepares annual budgets to provide for the expenses associated with operating and maintaining the various County sanitary sewer districts. These proposed budgets are reviewed and adjusted by the County's Budget Committee, consisting of the County Administrator, County Finance Director and Director of Accounting, who prepare and recommend sufficient sewer and water rates and charges for each district. A public hearing is held each year to receive public input on the resulting proposed budgets. During a regularly scheduled County Council meeting, rates are adopted for the annual EDU service charge, the connection fee and the annual assessment charge. After approval by the County Council, the Utility Billing Division prepares bills to be mailed on a quarterly basis. Each West Rehoboth account is billed approximately on the first day of each quarter beginning January 1, April 1, July 1, and October 1 of each year. This bill is sent to property owners and lease holders for payment. Accounts for leaseholders remaining unpaid after the fifth day of the following month are re-billed to the landowner for payment within 30 days. The collection rate is currently 93.4% of current billings. If assessments and service charges are not paid for a two year period, a lien will be filed against the property, and if necessary will be referred to the Sheriff's Department of the County for sale of the property.

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## Summary of Operating Results—West Rehoboth System

### I. 2000-2002\*

	2000	2001	2002
<b>Operating Revenues:</b>			
Assessment and Connection Fees	\$ 4,868,964	\$ 5,042,034	\$ 6,205,319
Permit fees, plumbers' licenses and review fees	374,009	322,194	362,369
Service charges	<u>1,980,420</u>	<u>2,368,584</u>	<u>2,349,572</u>
<b>Total Operating Revenue</b>	<b>\$ 7,223,393</b>	<b>\$ 7,732,812</b>	<b>\$ 8,917,260</b>
<b>Operating Expenses:</b>			
Amortization	\$ 433	\$ 21,658	\$ 27,280
Computer billing	5,211	4,238	5,602
Depreciation	1,352,335	1,744,599	1,810,194
Employee benefits	91,810	140,450	162,208
Equipment and tools	6,326	6,898	1,353
Equipment rental and leases	9,832	13,479	2,282
Insurance	25,274	31,518	41,322
Maintenance and repairs	28,058	62,161	49,305
Miscellaneous	65,579	78,953	73,612
Payroll taxes	34,227	42,486	42,220
Process chemicals	11,744	13,937	19,817
Professional services	79,739	76,616	25,392
Salaries	474,735	600,729	543,867
Shared costs-administrative	53,679	49,702	53,679
Shared costs - operating	108,968	140,830	115,054
Supplies	26,186	34,466	38,981
Training	6,061	2,647	3,760
Transportation Expense	39,391	40,393	49,443
Utilities	185,518	195,721	203,014
Wastewater treatment	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 2,605,106</b>	<b>\$ 3,301,481</b>	<b>\$ 3,268,385</b>
<b>Operating Income (Loss)</b>	<b>\$ 4,618,287</b>	<b>\$ 4,431,331</b>	<b>\$ 5,648,875</b>
<b>Non-Operating Revenues (Expenses)</b>			
Grant	\$ -	\$ 1,237,618	\$ 35,920
Interest Income	466,783	581,813	496,599
Disposition of assets	-	-	(531)
Capital contribution	-	1,909,897	1,508,287
Capitalization fees	-	343,485	-
Miscellaneous	(12,368)	6,669	5,781
Interest Expense	(2,963,498)	(3,289,242)	(3,109,544)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ (2,509,083)</b>	<b>\$ 790,240</b>	<b>\$ (1,063,488)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>\$ 2,109,204</b>	<b>\$ 5,221,571</b>	<b>\$ 4,585,387</b>
<b>Operating Transfer In</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ 636,354</b>
<b>Net Income (Loss)</b>	<b>\$ 2,109,204</b>	<b>\$ 7,221,571</b>	<b>\$ 5,221,741</b>
<b>Net Change in Retained Earnings</b>	<b>\$ 2,109,204</b>	<b>\$ 7,221,571</b>	<b>\$ 5,221,741</b>
<b>Retained Earnings (Deficit) - Beginning</b>	<b>\$ 826,067</b>	<b>\$ 2,935,271</b>	<b>\$ 10,156,842</b>
<b>Retained Earnings (Deficit) - Ending</b>	<b>\$ 2,935,271</b>	<b>\$ 10,156,842</b>	<b>\$ 15,378,583</b>

## II. 2003-2004\*

	2003	2004
<b>Operating Revenues</b>		
Charges for services	\$ 2,547,093	\$ 2,527,740
Other operating revenue	583,874	406,819
<b>Total Operating Revenues</b>	<b>\$ 3,130,967</b>	<b>\$ 2,934,559</b>
<b>Operating Expenses</b>		
Amortization	\$ 27,280	\$ 27,281
Contractual services	255,989	280,169
Depreciation	1,929,412	2,032,635
Employee benefits	312,340	307,229
Equipment and tools	40,922	49,101
Maintenance and repairs	46,186	66,334
Miscellaneous	65,563	83,503
Process chemicals	9,155	17,761
Professional services	13,366	44,577
Salaries	646,202	685,512
Shared costs-administrative	53,678	-
Shared costs-operating	127,903	106,859
Supplies	38,512	47,551
Training and travel	56,996	89,431
<b>Total Operating Expenses</b>	<b>\$ 3,623,504</b>	<b>\$ 3,837,943</b>
Operating Income (Loss)	\$ (492,537)	\$ (903,384)
<b>Non-Operating Revenues (Expenses)</b>		
Investment Earnings	\$ 620,120	\$ 109,162
Disposition of Assets	-	-
Assessment and connection fees	7,255,463	7,817,470
Miscellaneous	-	-
Interest Expenses	\$ (3,169,875)	\$ (3,106,835)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 4,705,708</b>	<b>\$ 4,819,797</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ 4,213,171</b>	<b>\$ 3,916,413</b>
Capital Contributions	\$ 2,999,053	\$ 3,884,131
Operating Transfer in	25,000	325,000
Operating Transfer out	-	(5,507,490)
<b>Change in Net Assets</b>	<b>\$ 7,237,224</b>	<b>\$ 2,618,054</b>
<b>Total Net Assets—Beginning</b>	<b>\$ 21,156,867**</b>	<b>\$ 28,394,091</b>
<b>Total Net Assets—Ending</b>	<b>\$ 28,394,091</b>	<b>\$ 31,012,145</b>

**Source:** Sussex County Comprehensive Annual Financial Reports.

\* Table I and Table II present the System operating results differently because the County implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2002

\*\*This figure has been restated since the County implemented a new financial reporting model as per the above note.

## ***Debt Service Coverage***

### **Sussex County, Delaware Revenue Bond Coverage West Rehoboth System 1995-2004**

<b>Fiscal Year</b>	<b>Gross Revenues<sup>1</sup></b>	<b>Direct Operating Expenses<sup>2</sup></b>	<b>Net Available for Bonds Debt Service</b>	<b>Series 1995 Bonds Debt Service</b>	<b>Bonds Coverage Ratio<sup>3</sup></b>	<b>Net Available for Subordinate Obligations Debt Service</b>	<b>Subordinate Obligations Debt Service<sup>4,5</sup></b>	<b>Subordinate Obligations Debt Coverage Ratio</b>	<b>Overall Coverage Ratio</b>
1995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1996	\$1,935,148	\$468,084	\$1,467,064	\$ 596,518	2.46	\$ 870,546	\$ 910,080	0.96	0.97
1997	5,277,608	1,132,265	4,145,343	1,106,940	3.74	3,038,403	1,862,957	1.63	1.40
1998	6,352,519	1,093,404	5,259,115	1,106,940	4.75	4,152,175	2,739,432	1.52	1.37
1999	5,863,597	1,081,311	4,782,286	1,106,940	4.32	3,675,346	2,959,862	1.24	1.18
2000	7,426,137	1,265,139	6,160,998	1,261,940	4.88	4,899,058	2,721,782	1.80	1.55
2001	8,321,294	1,556,882	6,764,412	1,530,430	4.42	5,233,982	2,991,903	1.75	1.50
2002	9,455,029	1,458,191	7,996,838	1,531,725	5.22	6,465,113	3,781,888	1.71	1.50
2003	11,006,550	1,694,092	9,312,458	1,531,700	6.08	7,780,758	3,689,394	2.11	1.78
2004	10,861,191	1,805,308	9,055,883	1,530,550	5.92	7,525,333	3,689,394	2.04	1.73

1. Gross revenues do not include capitalization fees or capital contributions.
2. Direct operating expenses do not include depreciation or interest expense as per the Trust Agreement.
3. Pursuant to the Trust Agreement the required coverage ratio is 1.25.
4. Subordinate Obligations Debt Service includes debt service for all other West Rehoboth Bonds including the following:
  - a. USDA General Obligation Bonds
  - b. State SRF General Obligation Bonds
  - c. State SRF Revenue Bonds
5. The Subordinate Obligations Debt Service does not include a prepayment of principal made in June of 2002 of \$1,197,320, which represents funds received from a federal grant.

#### ***Notes:***

- In April of 1994 the County issued \$19,000,000 in revenue bonds which were advance refunded in December of 1995 by revenue bonds totaling \$20,825,000 (the Series 1995 Bonds).
- In April of 1994 the County issued \$13,000,000 and \$4,000,000 in Subordinate Obligation revenue bonds pursuant to the State SRF program. Debt service on the Subordinate Obligations debt is based on level debt service payments.
- The West Rehoboth System was under construction during fiscal years 1993, 1994 and 1995. The West Rehoboth System was placed in service on December 29, 1995. Receipt of revenues began during fiscal year 1996. Debt service paid prior to that time was paid from Capital funding. Interest was capitalized until fiscal year 1996.

## ***Debt Service Reserve Fund***

The Trust Agreement establishes a Debt Service Reserve Fund (the "Reserve Fund") to be held by the Trustee. An amount equal to the maximum annual debt service on the Bonds is on deposit in the Reserve Fund. Moneys in the Reserve Fund shall be invested and used for the purpose of paying principal of, premium, if any, and interest on the Bonds whenever and to the extent moneys held for the credit of the Debt Service Fund are insufficient for such purpose.

The County is required to maintain the Reserve Fund at an amount equal to the Debt Service Reserve Fund Requirement which, as defined in the Trust Agreement, means an amount equal to the maximum amount of the Principal and Interest Requirements for the present or any future fiscal year on account of all outstanding Bonds. If Additional Bonds are issued, unless otherwise provided by Supplemental Agreement, the Debt Service Reserve Fund Requirement shall mean an amount equal to the least of (i) the maximum amount of Principal and Interest Requirements for any future fiscal year on account of all Bonds then outstanding, (ii) 125% of the average annual Principal and Interest Requirements on account of all Bonds outstanding, and (iii) 10% of the sum of the proceeds of each Series of the Bonds.

A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds may be deposited in the Reserve Fund to meet the Debt Service Reserve Fund Requirement if the claims paying ability of the issuer of such surety bond or insurance policy shall be rated in the highest rating category of the Rating Services.

### ***Flow of Funds***

The Trust Agreement provides that the County shall deposit all Gross Revenues, as soon as practicable. All Connection Fees shall be deposited in the Connection Fees Account of the Revenue Fund which fund is to be established pursuant to the Trust Agreement and held by a Depository selected by the County; all Annual Assessments, Permit Fees and all Service Charges shall be deposited in the Annual Assessments/Service Charges Account of the Revenue Fund. Any other Gross Revenues shall be deposited in a separate Account of the Revenue Fund to be established at such time as the County deposits such Gross Revenues with the Depository holding the Revenue Fund.

Funds in the Revenue Fund shall be held by a Depository in trust and applied as follows. On the 10th day of each month, all funds in the Revenue Fund shall be withdrawn and applied in the following order of priority (such funds to be withdrawn from the various accounts in the Revenue Fund as shall be directed by a County Representative):

(1) An amount shall be transferred to the Operating Fund such that the total amount on deposit therein equals one-sixth of the total budget for Current Expenses as shown on the Annual Budget for that year.

(2) Such amount as the County shall determine from time to time shall be transferred to the Operating Reserve Fund provided that such transfer shall not cause the amount therein to exceed the Operating Reserve Fund Requirement.

(3) The remainder, if any, shall be transferred to the Trustee who shall apply such funds in the following order of priority:

(a) An amount shall be deposited into the Debt Service Fund until the amount on deposit equals the Principal and Interest Requirements on the Bonds, through the first day of the following month (in making such deposits to the Debt Service Fund, the Trustee shall take into account funds in the Capitalized Interest Account which are to be used for such purpose and investment earnings which are reasonably expected to be deposited into such Fund on or before the next payment date);

(b) The remainder, if any, shall be deposited to the Reserve Fund to make up any deficiency therein, if any;

(c) The remainder, if any, shall be deposited into the Depreciation Reserve Fund (established under the terms of the Trust Agreement) until the amount deposited therein in that fiscal year is equal to one-twelfth of the current year's Depreciation Reserve Fund Requirement times the number of months passed in that fiscal year;

(d) The remainder, if any, shall be deposited in the Debt Service Fund as and to the extent certified by a County Representative shall be required, based on the County's cash flow projections, demonstrating that funds will not otherwise be available, to provide for payment of debt service on Bonds during the following 12 months;

(e) The remainder, if any, shall be deposited in the Subordinate Obligations Fund to the extent required by any Supplemental Agreement providing for the issuance of Subordinate Obligations; and

(1) The remainder, if any, shall be deposited in the General Fund.

### ***Additional Bonds***

Additional Bonds may be issued under and secured by the Trust Agreement, at one time or from time to time, for the purposes of providing additional funds for paying all or any part of the cost of or completing payment of the cost of the System or any Additional Facilities.

Such Additional Bonds may be issued in such forms including, but in no way limited to, Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Optional Tender Bonds, serial bonds or term bonds or any combination thereof, all as may be provided in the applicable Supplemental Agreement.

Except as to any Credit Facility or Bond Insurance Policy related to such Additional Bonds and except as to any difference in the maturities thereof, in the rate or rates of interest, the provisions for redemption or purchase, Interest Payment Dates or Principal Payment Dates and except for any difference in the use of moneys in various accounts of the Debt Service Fund, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Series 2005 Bonds. Before such Additional Bonds shall be authenticated and delivered by the Bond Registrar, there shall be filed with the Bond Registrar the following, among other things: either (i) a certificate of the Accountants demonstrating that the Net Income Available For Debt Service in any twelve consecutive of the most recent eighteen months was at least 1.25 times the Maximum Annual Debt Service on all Bonds Outstanding after the issuance of the proposed Additional Bonds or (ii) a report of a Consulting Engineer concluding to the effect that the schedule of rates and charges which the County has adopted are sufficient to produce, on a pro forma basis, Net Income Available For Debt Service in the fiscal year immediately following the fiscal year in which the facilities being financed are estimated to be completed at least equal to 1.25 times the Maximum Annual Debt Service on all Bonds Outstanding under the Trust Agreement including the proposed Additional Bonds.

Additional Bonds for refunding purposes may be issued without meeting the tests described above, if either (A) in the case of a refunding of Bonds, during the fiscal years in which any of the Bonds not so refunded are scheduled to be outstanding, the Principal and Interest Requirements for any fiscal year on account of all Bonds outstanding, after the issuance of such refunding Bonds and the redemption

or provision for payment of the Bonds to be refunded, shall not exceed the maximum Principal and Interest Requirements for any such fiscal years on account of all the Bonds outstanding, including the bonds to be refunded, immediately prior to the issuance of such refunding Bonds or (B) the County shall demonstrate satisfaction of either of the tests set forth in the preceding paragraph in connection with the issuance of other Additional Bonds as applied to the refunding Bonds to be issued.

### ***Rate Covenant***

The County covenants in the Trust Agreement that it will establish and collect rates, fees and other charges for the use or benefit of the Authorized Facilities which will be sufficient to produce Net Income Available for Debt Service in each fiscal year at least equal to 1.25 times the Principal and Interest Requirements for such fiscal year on account of all Bonds then outstanding plus any deficiency in the amount required to be on deposit in the Debt Service Reserve Fund.

The County covenants that if Net Income Available for Debt Service in any fiscal year does not satisfy the requirements in the above paragraph as determined based on its annual audit report, it will promptly retain an Engineering Consultant to examine its rates and its operations and submit a report within 90 days with recommendations to accomplish the required result. The County covenants to comply with these recommendations. If the County complies with all of the recommendations of the Engineering Consultant, it will not be deemed to be in default of its rate covenant even if Net Income Available for Debt Service did not satisfy the requirements in the above paragraph in a particular fiscal year so long as (i) it follows all of the recommendations of the Engineering Consultant, (ii) it complies with the requirements of the above paragraph by the second following fiscal year, and (iii) Net Income Available for Debt Service is at least equal to one hundred percent (100%) of the Principal and Interest Requirements for each fiscal year on account of all Bonds outstanding.

## **MUNICIPAL BOND INSURANCE**

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to APPENDIX F for a specimen of MBIA's policy (the "Policy").

### ***The MBIA Insurance Corporation Insurance Policy***

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "MUNICIPAL BOND INSURANCE". Additionally, MBIA makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2005 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole



discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2005 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2005 Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2005 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal or interest on the Series 2005 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2005 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Series 2005 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2005 Bonds or presentment of such other proof of ownership of the Series 2005 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2005 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2005 Bonds in any legal proceeding related to payment of insured amounts on the Series 2005 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2005 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

### ***MBIA Insurance Corporation***

**MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and in the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.**

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

### ***Regulation***

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital

requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### ***Financial Strength Ratings of MBIA***

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2005 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2005 Bonds. MBIA does not guaranty the market price of the Series 2005 Bonds nor does it guaranty that the ratings on the Series 2005 Bonds will not be revised or withdrawn.

### ***MBIA Financial Information***

As of December 31, 2004, MBIA had admitted assets of \$10.3 billion (unaudited and restated), total liabilities of \$7.0 billion (unaudited and restated), and total capital and surplus of \$3.2 billion (unaudited and restated) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2005 MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$7.1 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K/A of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of September 30, 2005 and for the nine month periods ended September 30, 2005 and September 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

### ***Incorporation of Certain Documents by Reference***

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K/A for the year ended December 31, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K/A, and prior to the termination of the offering of the Series 2005 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K/A for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 (included as restated in third quarter 10-Q) and September 30, 2005 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

## **WEST REHOBOTH SYSTEM AREA**

### ***Location***

The area that is served by the West Rehoboth System and from which the Gross Revenues are derived is herein referred to as the "West Rehoboth System Area" of the "Area." A map of the West Rehoboth System Area is included as APPENDIX B of this Official Statement. The West Rehoboth System Area is predominantly a resort and vacation area with heavy commercial development along U.S. Route 1 near Delaware's Atlantic Ocean beaches. It covers an area of approximately 19.7 square miles along U.S. Route 1 in the eastern part of the County and includes nearby commercial and residential developments. The Area is, at its eastern boundary, within approximately one mile of the Atlantic Ocean beaches and on the south, the area adjoins Rehoboth Bay. In addition to the U.S. Route 1 corridor, which is primarily commercial development, the West Rehoboth System includes over 100 existing residential subdivisions.

### ***General Historical Background Information on the Wastewater Needs of the Area***

The West Rehoboth System Area experienced rapid growth over the past three decades. Previously, the wastewater needs of the Area were largely served by individual septic systems and a few small privately-owned wastewater systems. The rapid growth led to the inability of the existing wastewater disposal systems to effectively manage the amount of wastewater generated. The management of wastewater in the area became a prime concern during that period.

The West Rehoboth System Area was initially a part of the proposed LeCato Sanitary Sewer District. That proposed district was dismantled in the late 1970s when the cities of Lewes and Rehoboth Beach decided to pursue individual programs for upgrades to their existing wastewater treatment plants. This decision spawned the preparation of the Lewes-Rehoboth Beach Wastewater Management Facilities Environmental Impact Statement (EIS.), which was completed in 1981. The EIS documented areas of imminent health hazard, areas of potential health hazard and malfunctioning septic systems along the U.S. Route 1 corridor. According to a United States Environmental Protection Agency (EPA) document entitled, "Lower Coastal Sussex Special Study, Sussex County, Delaware," "these areas [were] designated on the basis of groundwater quality and information on malfunctioning septic systems." The EPA document further noted that the malfunctioning septic systems were identified through an infrared aerial survey of the area and verified through field visitations.

In 1984 petitions were submitted by concerned citizens and property owners requesting the creation of a sanitary sewer district in the area currently designated the West Rehoboth System Area. A referendum election was held seeking authorization to create a sanitary sewer district for the West Rehoboth System Area, but the referendum was defeated on April 13, 1985. The main concern given for defeating the referendum was the potential cost of the system.

In May of 1989, the Governor's Inland Bays Task Force recommended prohibiting any new installations of on-site wastewater systems along a 600-foot strip on each side of U.S. Route 1 until a central sewer was available. In response to this recommendation, DNREC issued an Order on December 29, 1989 placing a moratorium on new septic systems in the West Rehoboth System Area. In response to the moratorium and continued environmental concerns, the Sussex County Council approved the extension of the Dewey Beach Sanitary Sewer District to include the West Rehoboth System Area on March 22, 1990.

The West Rehoboth System Area, which has been developed primarily in the last thirty years, currently includes approximately 6,414 single-family detached homes, 2,436 single-family townhouses and condominium homes, 2,871 single-family manufactured homes on leased ground and approximately 332 commercial establishments including motels, restaurants, offices and retail shops. According to the County, approximately 53% of the homes in the West Rehoboth System Area are the primary residence of the owner and the remainder, or 47%, are not primary residences. The West Rehoboth System Area currently serves 15,566 EDUs.

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### ***Current Development of the West Rehoboth System Area***

The following table summarizes the development in the West Rehoboth System Area:

<b><u>Development In West Rehoboth System Area</u></b>	
<b><u>Type Structure</u></b>	<b><u>Number</u></b>
Detached single-family homes	6,414
Manufactured homes on leased land	2,871
Townhomes and Condominiums	2,436
Commercial establishments	332
Farms	30
Local Government	67
State Government	65
Non-Profit Agencies	28
Residential vacant lots	2,357
Churches	21
Federal Government	3

***Source:*** All figures compiled from information in Sussex County Assessment Department.

### ***Septic Moratorium***

In August of 1989, in response to continued growth and recurring septic tank problems, DNREC proposed a building moratorium for the heavily developed commercial corridor along U.S. Route 1. Following a public hearing in December of 1989, DNREC signed into effect a septic sewer moratorium on the heavily developed commercial corridor along U.S. Route 1 and the adjacent areas extending to the Red Mill Pond area. The moratorium was to be in effect for five years or until a central sewer system was in place. That action by DNREC was followed by a Memorandum of Understanding (the "MOU") between DNREC and the County in April 1990. The MOU established a schedule for design and construction of a sanitary sewer system for the West Rehoboth Expansion of the Dewey Beach Sanitary Sewer District. The MOU allowed for continued building within the West Rehoboth System Area while the system was under construction. Since the completion of the sewer construction, major growth has occurred.

### ***Residents of Area***

The County estimates that there are 8,300 permanent residents of the West Rehoboth System Area; during the summer, the population is estimated to peak at more than 30,000 persons including permanent residents and those on vacation. Approximately 19% of the system's EDUs are attributed to mobile homes situated on leased lots. Residents of mobile homes on leased lots are billed directly by the County for service and assessment charges and if the bill is not paid by the resident within 30 days, the bill is sent to the property owner who has an additional 30 days to pay. It is the property owner who has the legal obligation to pay the bill.

Based on the 2000 Census, the average age of a resident utilizing the West Rehoboth System is 48 and the median per capita income of a resident utilizing the West Rehoboth System is \$26,075.

### ***Ten Largest Users of the West Rehoboth System***

The following charts set forth the ten largest users of the West Rehoboth System as of November 21, 2005:

#### **West Rehoboth System Ten Largest Customers by Total Assessment Fees and Service Charges**

<u>Name of Business</u>	<u>No. of Billable Front Feet</u>	<u>Assessment Rate per Year</u>	<u>Annual Assessment Revenue</u>	<u>% of Total</u>
Colonial East Ltd.	36,520.40	*	\$ 103,191.58	2.42%
Thetavest Inc.	28,117.60	\$1.97	55,391.67	1.30
Sun Communities Inc.	20,198.30	4.65	93,922.10	2.20
Nassau Park	19,616.20	4.65	91,215.33	2.14
Camelot	18,107.40	4.65	84,199.41	1.97
Aspen Meadows	12,692.80	4.65	59,021.52	1.38
Midway Realty Corporation	1,600.00	**	16,837.69	0.39
Hood Family LLC	121.90	**	12,427.22	0.29
James S. Truitt III				
Silver View Farm Inc.	9,318.40	4.65	43,330.56	1.02
Sweet Briar	8,359.40	4.65	38,871.21	0.91
<b>TOTAL</b>	<b>154,652.40</b>		<b>\$ 598,408.29</b>	

**Note:** Total Assessment charges for all customers is \$4,265,098.00

\* Subdistrict

\*\* EDUs x 40.0 is the greater front footage

<u>Name of Business</u>	<u>No. of EDUs</u>	<u>Service Rate per Year</u>	<u>Annual Service Revenue</u>	<u>% of Total</u>
Colonial East Ltd.	592.35	\$212.10	\$ 125,637.44	3.82%
Thetavest Inc.	525.17	212.10	111,388.56	3.39
Sun Communities Inc.	414.87	212.10	87,993.93	2.68
Nassau Park	396.50	212.10	84,097.65	2.56
Camelot	302.46	212.10	64,151.77	1.95
Aspen Meadows	202.66	212.10	42,984.19	1.31
Midway Realty Corporation	159.26	212.10	33,779.05	1.03
Hood Family LLC	153.56	212.10	32,570.08	0.99
James S. Truitt III	147.00	212.10	31,178.70	0.95
Silver View Farm Inc.				
Sweet Briar	146.33	212.10	31,036.59	0.94
<b>TOTAL</b>	<b>3,040.16</b>	<b>212.10</b>	<b>\$ 644,817.96</b>	

**Total Annual  
Assessment and  
Service Revenue**

**\$7,552,433.00**

*Notes:* (1) Total Services Charges for all customers is \$3,287,335.00

(2) Top 10 Customers as a % of all Assessment and Service Revenue is 16.46%

## **THE WEST REHOBOTH SYSTEM**

### ***General Description***

Proceeds of the Series 1994 Bonds were used to provide a portion of the financing for the design, acquisition, construction and installation of a wastewater collection, transmission, treatment and disposal system designed to serve the West Rehoboth System Area.

### ***History of the West Rehoboth System***

Pursuant to the MOU between DNREC and the County, it was agreed that a wastewater collection and treatment facility would be created for the area and that the use of septic tanks in the area would be discontinued. A study prepared for the County Council by the County's Consulting Engineers and entitled "Wastewater Facilities Plan for the West Rehoboth Expansion of Dewey Beach Sanitary Sewer District" was delivered to the County Council in July of 1991. Under this plan, the anticipated typical annual sewer user cost was estimated at \$936. Citizens groups protested the cost involved and the County received an extension of time from DNREC in order to allow for a review of the County's options for creation of the West Rehoboth Expansion of the Dewey Beach Sanitary Sewer District. The Consulting Engineers studied 33 treatment and disposal options and in May of 1993 the Consulting Engineers recommended the system described herein and the estimated annual sewer user cost was decreased to approximately \$547. The lower projected user cost resulted from lower cost estimates for the system and more favorable financing terms.

### ***Description of the West Rehoboth System***

Wastewater from the West Rehoboth System of the Dewey Beach Sanitary Sewer District, which began operations during December of 1995, is treated and disposed of by the Wolfe Neck Wastewater Treatment and Disposal Facilities (the "Wolfe Neck Facilities"). This wastewater is transmitted through collection sewers, force mains and 107 pumping stations to the County Pump Station No. 210, located at the intersection of Route 12 and Route 1. From that location the wastewater is pumped through a 30-inch ductile iron force main to the Wolfe Neck Facilities. The Wolfe Neck Facilities are currently permitted for 2.9 MGD, however, due to some existing field conditions actual hydraulic capacity is closer to 2.3 MGD.

As the wastewater enters the Wolfe Neck Facilities, located at the east end of County Road 270, solids are removed by a continuous self-cleaning screen prior to entering a series of three 23.8 million gallon partial mix aerated lagoons.

The lagoons combine natural sunlight and air with mechanical devices (aerators) which introduce oxygen into the wastewater. Natural microorganisms then break down the biological matter. Solids settle to the bottom of the lagoon and undergo anaerobic decay.

The lagoons are 14 feet deep and are formed from earthen berms with a geotextile liner and protective soil cover. Treated water is disinfected with sodium hypochlorite. The effluent is stored in the 69 million gallon effluent storage lagoon until it can be disposed using a spray irrigation system.

The spray irrigation system utilizes five center pivots, which can operate independently or in combination. A programmable logic computer controls the fully automated system. The irrigation fields consist of 320 acres, leased from the State Division of Parks and Recreation. The spray land is farmed with corn, barley and permanent forage crops.

The County has engaged the consulting engineering firm of Whitman Requardt & Associates to prepare a planning study for the possible future expansion of the West Rehoboth Sewer treatment facility. This County has set aside approximately 600 acres of recently purchased land to be used for possible expansion of the West Rehoboth spray irrigation treatment process.

### ***Usage of the West Rehoboth System***

Influent flows at the West Rehoboth treatment facility have increased especially due to the growth in the area. The following chart shows the average daily flow rates for the months of June, July and August of the years listed. It also projects flow rates for 2015 and 2025. The projections are based on a draft Preliminary Engineering Report from Whitman, Requardt & Associates.

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**West Rehoboth System**  
**Average Summer Daily Flow Rates (MGD)\***

<b><u>Year</u></b>	<b><u>Connected EDUs (as of June 30)</u></b>	<b><u>Flow Rate</u></b>
1999		1.11
2000	10,149.98	1.07
2001	11,472.07	1.52
2002	12,133.43	1.47
2003	13,155.08	1.68
2004	14,412.43	1.65
2005	15,240.21	1.76
2015		4.9
2025		8.8

\* Flow Rates for 1999 through 2005 are actual rates.

Growth in the area is expected to continue. Whitman Requardt & Associates estimates that the number of equivalent dwelling units will increase from the current level of 15,566 to 28,159 in 2015 and 38,900 in 2025. The County is planning to expand its current facilities to meet the expected growth.

The County expects that the system will require upgrades to transmission and treatment as well as an expansion of existing treatment capacity on currently available acreage within the next five years. The County also expects upgrade and expansion of collection, transmission and treatment capacity within the System over the next 20 years. The County has begun the process of planning for increased collection, transmission and treatment capacity. One viable alternative would convert the existing spray fields to rapid infiltration basins, which would increase disposal capacity. An associated conversion of the aerated lagoons to a Biolac treatment process would provide treatment capacity until 2015. A potential joint ocean outfall project with the City of Rehoboth Beach is being evaluated to provide post-2015 capacity. The exact amount and timing of any new capital expenditures are not known at this time, but they will likely be significant and financed by a combination of grants, connection fees, application of retained earnings, bonds, Additional Bonds on a parity with the Series 2005 Bonds and/or Subordinate Obligations.

***Cost of the West Rehoboth System***

The following table is a summary of all costs of the West Rehoboth System as of June 30, 2004 and June 30, 2005.

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### Actual System Costs\*

<u>Item</u>	<u>As of June 30,</u> <u>2004</u>	<u>As of June 30,</u> <u>2005</u>
Collection Systems	\$ 53,118,455	\$ 54,354,391
Transmission Systems	26,320,628	26,345,764
Treatment System	13,443,875	13,824,536
Construction in Progress	56,377	57,535
Land and easement acquisition	3,337,895	3,941,618
Communication, Transportation, Office and Other Equipment	1,094,511	1,235,328
<b>TOTAL PROJECT COSTS</b>	<b>\$97,371,741</b>	<b>\$99,759,172</b>

\* June 30, 2004 figures have been audited, but the June 30, 2005 figures have not been audited as yet.

### *System Revenues*

The following chart shows the System Revenues for the years 2001 through 2005:

<u>Fiscal Year</u> <u>(June 30)</u>	<u>Connection Fee</u> <u>Per EDU</u>	<u>Connection Fees</u>	<u>Assessment Fees</u>	<u>Service Charges @</u> <u>\$202/EDU</u>
2001	\$2,954	\$ 1,039,344	\$ 4,002,690	\$ 2,368,583
2002	2,954	2,063,936	4,141,381	2,349,572
2003	2,954	3,088,015	4,167,446	2,547,092
2004	3,369	3,321,404	4,496,065	2,527,739
2005	3,537	<u>2,232,994</u>	<u>4,211,071</u>	<u>3,033,741</u>
<b>TOTALS</b>		<b>\$ 11,745,693</b>	<b>\$ 21,018,653</b>	<b>\$ 12,826,727</b>

### *System Expenses*

Current expenses include personnel, power, chemicals, maintenance, sludge disposal, land lease costs and recurring capital expenditures incurred in the operation and maintenance of the collection, transmission and treatment system. These costs are a continuing cash obligation in providing utility service. An annual operation and maintenance cost estimate, based on the Fiscal 2006 Budget, is presented in the following table:

### Annual Estimated Expenses

<u>Item</u>	<u>Cost</u>
Operation and Maintenance Labor	\$ 1,014,751
Other Operation and Maintenance	260,022
Power/Utilities	246,615
Chemicals	35,000
Land Lease	61,250
Recurring Capital Expenditures	427,346
Engineering Administration	710,422
Utility Building	225,187
<b>ESTIMATED TOTAL CURRENT EXPENSES</b>	<b>\$ 2,980,593</b>

### *Financing for the West Rehoboth System*

There are various sources of financing for the West Rehoboth System; such sources are set forth in the following table:

#### West Rehoboth System Funding Sources

<b>Bond Funding:</b>		
Series 1994 Revenue Bonds	\$ 19,000,000	
State Revolving Fund Revenue Loans	17,280,251	
U.S. Department of Agriculture Loans	39,223,000	
State Revolving Fund General Obligation	10,180,525	
<b>Total Bond Funding</b>		<b>\$ 85,683,776</b>
<b>Other Funding:</b>		
Developer Infrastructure Contributions	10,330,778	
Capitalization Fees	3,514,903	
County Grants	1,762,940	
<b>Total Other Funding</b>		<b>15,608,621</b>
<b>Less Debt Service Reserve Fund</b>		<b>(1,533,225)</b>
<b>Total</b>		<b>\$ 99,759,172</b>

**United States Department of Agriculture, Rural Utilities Service ("RUS").** The RUS has made loans totaling \$39,223,000 to the County for the establishment and construction of the West Rehoboth System. These loans were issued at four and one-half percent (4.5%) interest for 40 years. Principal payment deferral applied during the first three (3) years, with equal annual debt service payments thereafter. Annual debt service to maturity is approximately \$2,166,376 per annum on the RUS Loans.

**State Revolving Fund Loan ("SRF Loan").** Pursuant to the Trust Agreement, the County has also issued certain subordinated obligations which were sold in a private negotiated transaction with DNREC through the State Revolving Fund Loan Program.

These obligations include loans for \$9,756,986 at 1.50%, maturing December 2016. These loans are payable only from System revenues which are available after providing for operating expenses, debt service and all reserves with respect to the Bonds as well as debt service on the RUS loans. The County is obligated under the SRF Loan documents to set rates and charges at certain minimum levels until level debt service schedules are met. The County has been able to pay the debt service for these bonds based on the level debt schedules, thus it has not been subject to the minimum rate requirements. The County does not anticipate revenue shortfalls in the foreseeable future that would trigger renewal of the minimum rate requirements.

The approximate annual debt service for the SRF loans includes \$930,046 for revenue based loans and \$592,972 for general obligation based loans. The total approximate annual debt service for the SRF loans is \$1,523,018.

### ***Comparative Rates of Other Sewer Districts of the County***

The following table sets forth the service and assessment charges which have been imposed by various sewer districts of the County.

#### **SEWER ANNUAL RATE AND ASSESSMENT HISTORY DISTRICT TOTALS FOR RESIDENTIAL AND COMMERCIAL USE FISCAL YEARS 2000—2006**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Dewey Beach Sewer District							
Annual Service Charge	243.14	243.14	243.14	243.14	243.14	243.14	255.30
Per Foot Assessment Charge	0.77	0.77	0.77	0.77	0.77	0.77	0.77
Bethany Beach Sewer District							
Annual Service Charge	205.44	205.44	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge	0.69	0.69	0.69	0.69	0.69	0.69	0.69
South Bethany Sewer District							
Annual Service Charge	218.42	218.42	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Fenwick Island Sewer District							
Annual Service Charge	195.10	195.10	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Blades Sewer District							
Annual Service Charge	231.63	231.63	231.63	231.63	231.63	231.63	243.21
Per Foot Assessment Charge <sup>1</sup>	0.95	0.95	0.95	0.95	0.95	0.95	0.95
Sussex Shores (1)							
Annual Service Charge	205.44	205.44	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge	4.37	3.99	3.99	3.99	3.99	3.99	3.99
North Bethany (1)							
Annual Service Charge	205.44	205.44	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge	12.99	11.99	11.99	11.99	11.99	11.99	11.99
Henlopen Acres Sewer District							
Annual Service Charge	376.47	376.47	376.47	376.47	376.47	376.47	395.30
Per Foot Assessment Charge	1.01	1.01	1.01	1.01	1.01	1.01	1.01

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Long Neck Sewer District							
Annual Service Charge	157.62	157.62	157.62	157.62	157.62	157.62	165.50
Per Foot Assessment Charge	3.99	3.99	3.99	3.99	3.99	3.99	3.99
Dagsboro Frankford Sewer District							
Annual Service Charge	219.41	219.41	219.41	219.41	219.41	219.41	230.38
Per Foot Assessment Charge	1.52	1.52	1.52	1.52	1.52	1.52	1.52
West Rehoboth Expansion (2)							
Annual Service Charge	202.00	202.00	202.00	202.00	202.00	202.00	212.10
Per Foot Assessment Charge	5.31	4.99	4.79	4.65	4.65	4.65	4.65
Ocean Way Estates (1)							
Annual Service Charge	205.44	205.44	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge	3.42	3.30	3.30	3.30	3.30	3.30	3.30
Holts Landing Sewer District							
Annual Service Charge	250.00	295.00	195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge		2.50	2.50	4.58	4.58	4.58	4.58
Ocean View (1)							
Annual Service Charge			195.10	195.10	195.10	195.10	204.86
Per Foot Assessment Charge			3.68	3.68	3.68	3.68	3.68
Miller Creek Sewer District							
Annual Service Charge				195.10	195.10	195.10	204.86
Per Foot Assessment Charge				-	-	-	-
North Millville (1)							
Annual Service Charge				195.10	195.10	195.10	204.86
Per Foot Assessment Charge				3.68	3.68	3.68	3.68
Cedar Neck (1)							
Annual Service Charge				195.10	195.10	195.10	204.86
Per Foot Assessment Charge				5.99	4.14	4.14	4.14
Ellendale Sewer District							
Annual Service Charge					212.00	212.00	212.00
Per Foot Assessment Charge					1.97	1.97	1.97
Ellendale Sewer—New Market (3)							
Annual Service Charge					212.00	212.00	212.00
Per Foot Assessment Charge					5.24	5.24	5.24

- (1) **Sussex Shores, North Bethany, Cedar Neck, North Millville, Ocean View and Ocean Way Estates are not individual sewer districts, being instead extensions of the Bethany Beach Sewer District. Annual Service Charges are the same for the Bethany Beach Sewer District (including extension) customers. Bethany sewer extension customers are charged a separate Per Foot Assessment**
- (2) **The West Rehoboth System is an expansion of the Dewey Beach Sewer District with separate service charge and front foot assessment rates.**
- (3) **Ellendale Sewer—New Market is an extension of the Ellendale Sewer District with a separate front foot assessment charge.**

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## ESTIMATED SOURCES AND USES OF SERIES 2005 BOND PROCEEDS

The proceeds from the sale of the Series 2005 Bonds (exclusive of accrued interest) are to be applied as follows:

### Sources of Funds

Par Amount of the Series 2005 Bonds	\$ 18,500,000.00
Transfer from Series 1995 Debt Service Reserve Fund	1,533,225.00
Net Original Issue Discount	(22,487.45)
<b>TOTAL SOURCES</b>	<b>\$ 20,010,737.55</b>

### Uses of Funds

Deposit to Net Cash Escrow Fund	\$ 18,342,516.88
Deposit to Debt Service Reserve Fund	1,391,426.26
Bond Insurance Premium	64,100.00
Costs of Issuance <sup>1</sup>	212,694.41
<b>TOTAL USES</b>	<b>\$ 20,010,737.55</b>

<sup>1</sup> Includes legal fees and expenses, fees of financial advisor, trustee's fees, underwriter's discount, printing costs and miscellaneous charges and expenses.

## DEBT SERVICE TABLE

The following table sets forth the annual debt service requirements for the Series 2005 Bonds.

### Series 2005 Bonds Debt Service Schedule

<u>Year (June 15)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total*</u>
2006	\$ 520,000	\$ 371,963	\$ 891,963
2007	660,000	725,726	1,385,726
2008	685,000	702,626	1,387,626
2009	710,000	678,651	1,388,651
2010	730,000	653,801	1,383,801
2011	765,000	626,426	1,391,426
2012	790,000	597,739	1,387,739
2013	820,000	568,114	1,388,114
2014	850,000	537,364	1,387,364
2015	885,000	505,489	1,390,489
2016	920,000	470,089	1,390,089
2017	955,000	433,289	1,388,289
2018	990,000	395,089	1,385,089
2019	1,035,000	355,489	1,390,489
2020	1,070,000	311,501	1,381,501
2021	1,120,000	266,026	1,386,026
2022	1,170,000	218,426	1,388,426
2023	1,220,000	168,701	1,388,701
2024	1,275,000	115,631	1,390,631
2025	1,330,000	59,850	1,389,850
<b>Totals</b>	<b>\$18,500,000</b>	<b>\$ 8,761,991</b>	<b>\$27,261,991</b>

\* Rows may not add to Total due to rounding.

## **RISK FACTORS**

### ***General***

Payment of principal and interest on the Series 2005 Bonds is subject to certain risks. The factors listed below, among others, could adversely affect the operations of the System and the revenues and expenses of the System to an extent which cannot be determined at this time. This section should be read in its entirety and the factors listed herein should be considered in connection with any investment in the Series 2005 Bonds.

### ***Not a General Obligation; Limited Obligation***

Neither the full faith and credit nor the taxing power of the County nor the State is pledged to payment of the Series 2005 Bonds and the Series 2005 Bonds do not and shall not be deemed to create a debt or liability of The State of Delaware or any political subdivision thereof, other than the limited obligation of the County to make payment from the Gross Revenues.

### ***Sufficiency of Gross Revenues***

The Series 2005 Bonds are limited obligations of the County payable solely from the Gross Revenues of the West Rehoboth System and from certain funds held by the Trustee pursuant to the Trust Agreement. The primary source of payment for the principal of and interest on the Series 2005 Bonds is the Gross Revenues generated by the County's operation of the West Rehoboth System. The Gross Revenues consist primarily of service charges, permit fees and connection fees paid by users of the West Rehoboth System and assessment charges paid by the owners of property located within the West Rehoboth System Area. If the actual operations of the West Rehoboth System differ significantly from the estimates and information provided by the County and the County is unable to make up any shortfall through rate increases, it could adversely impact the ability of the West Rehoboth System to generate sufficient Gross Revenues to pay the debt service on the Series 2005 Bonds.

### ***Permits and Regulation***

The operation and maintenance of the West Rehoboth System is subject to a wide range of federal, State and local restrictions and regulations. The operation and maintenance of the West Rehoboth System are also subject to permit requirements and approvals by various federal and State agencies. If the County fails to maintain such permits and approvals, or fails to comply with any of a number of other governmental restrictions or regulations applicable to the West Rehoboth System, the ability of the County to operate the West Rehoboth System could be impaired.

## **LEGAL PROCEEDINGS**

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Potter Anderson & Corroon LLP, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Series 2005 Bonds. A proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D. Certain legal matters will be passed upon for the County by Griffin & Hackett, Georgetown, Delaware.

## **TAX MATTERS**

### ***General***

In the opinion of Bond Counsel, under existing statutes, regulations and court decisions, assuming continuing compliance by the Issuer and the Borrower with covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2005 Bonds is excluded from the gross income of the owners thereof for the purposes of federal income taxation. Interest on the Series 2005 Bonds will not be an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations by the Code; however, interest on the Series 2005 Bonds is includable in the relevant income computation for calculation of a corporation's liability with respect to the corporate alternative minimum tax. In addition, certain recipients of Social Security and Railroad Retirement benefits are required to take into account interest on the Series 2005 Bonds in determining the taxability of such benefits.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local government obligations, such as the Series 2005 Bonds, to be excluded from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the Issuer file an information report with the Internal Revenue Service.

Bond Counsel's opinion assumes continuing compliance by the Issuer with those provisions of the Indenture, the Loan Agreement and the Tax Certificate related to the sections of the Code applicable to the exclusion from gross income of interest on the Series 2005 Bonds for federal income tax purposes and, in addition, relies on representations by the Issuer with respect to matters solely within its knowledge, which Bond Counsel has not independently verified. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such an opinion and is not a guarantee of a result. The Issuer has covenanted that it will not take any action or omit to take any action within its control which would cause interest on the Series 2005 Bonds to be included in gross income of the owners thereof for federal income tax purposes, including the actions set forth above to the extent the same are applicable. If the Issuer fails to comply with such provisions of the Code or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Series 2005 Bonds could become taxable, retroactive from the date of issuance of the Series 2005 Bonds, regardless of the date on which the event causing such taxability occurs.

Bond Counsel is also of the opinion that, under existing statutes, so long as interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes, such interest will also be excluded from taxable income for the purposes of the personal and corporate income taxes imposed by the State of Delaware.

### ***Original Issue Discount***

The initial public offering prices of the Series 2005 Bonds maturing on June 15, 2014, June 15, 2016 through June 15, 2018 and June 15, 2021 through June 15, 2024 (the "Discount Bonds") are less than the amount payable on the Discount Bonds at maturity (the "Maturity Amount"). The difference between the initial public offering price at which a substantial amount of the Discount Bonds of any maturity are sold and the Maturity Amount constitutes original issue discount ("OID"). OID is treated as interest on the Series 2005 Bonds for the purposes of the discussion in the preceding paragraphs.



Under Section 1288 of the Code, the amount of OID treated as having accrued with respect to any Discount Bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such Discount Bond by such owner. OID on any Discount Bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such Discount Bonds. OID attributable to any Discount Bond for any particular semiannual period is equal to the product of (i) one-half of the yield to maturity of such Discount Bonds, and (ii) the amount which would be the adjusted basis of the Discount Bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of OID accruing for such purposes during each such day. Owners of Discount Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of Discount Bonds by them.

### ***Original Issue Premium***

The Series 2005 Bonds maturing on June 15, 2006 through June 15, 2013, June 15, 2015 and June 15, 2019 (the "Premium Bonds") are issued with an original issue premium. An amount equal to the excess of the initial public offering price of the Premium Bonds over their stated redemption price at maturity constitutes original issue premium. Purchasers of the Premium Bonds must amortize any premium over the Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in the Premium Bonds is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bonds prior to maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of the Series 2005 Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium or discount for federal income tax purposes and with respect to state and local tax consequences of owning the Bonds.

### ***Other***

Although Bond Counsel has rendered an opinion that interest on the Series 2005 Bonds will not be included in gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2005 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Series 2005 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, life insurance companies, banks, thrifts or other financial institutions, persons otherwise eligible for the earned income credit, or recipients of Social Security or Railroad Retirement benefits are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Series 2005 Bonds.

From time to time, proposals are introduced in the Congress of the United States which, if enacted, could adversely alter or amend the federal tax matters referred to above and might adversely affect the market value of the Series 2005 Bonds. On occasion, such proposals may have a retroactive

effective date. Neither Bond Counsel nor the County is expressing an opinion or extending any assurances regarding any such legislation. Prospective purchasers of the Series 2005 Bonds should consult their own tax advisors regarding any such federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 2005 Bonds. If an audit is commenced, under current procedures, the Service will treat the County as the taxpayer and the Bondholders may have no right to participate in any such proceeding. Bond Counsel is not obligated to defend the tax-exempt status of the Series 2005 Bonds. The County has covenanted not to take any action that would cause interest on the Series 2005 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes. Neither the County nor Bond Counsel is responsible to pay or reimburse the cost of any Bondholder with respect to any audit or litigation relating to the Series 2005 Bonds.

### **CONSULTING ENGINEERS**

The County retained Whitman, Requardt & Associates, LLC as Consulting Engineer with respect to the West Rehoboth System. Whitman, Requardt & Associates, LLC was established in 1915 and has provided comprehensive architectural, engineering, and planning services for an extensive variety of project types and sizes to many clients in the Mid-Atlantic Region.

The Consulting Engineer was retained by the County following a selection procedure which included public advertising followed by ratings and interviews conducted by the County. The Consulting Engineer is currently working on a planning study for future expansion of the West Rehoboth System.

### **RATING**

Standard & Poor's ("S&P") has assigned a rating of "AAA" to the Series 2005 Bonds, with the understanding that, upon delivery of the Series 2005 Bonds, a municipal bond insurance policy will be issued by MBIA Insurance Corporation. The rating assigned by Standard & Poor's express only the views of the rating agency. The explanation of the significance of the rating may be obtained from Standard & Poor's. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2005 Bonds.

### **UNDERWRITING**

The Series 2005 Bonds were offered for sale by the County at a public, competitive sale through the Grant Street Group's MuniAuction website on November 29, 2005. The successful bidder was Wachovia Bank, National Association (the "Underwriter"). The Underwriter has agreed to purchase the Series 2005 Bonds for reoffering at an aggregate net discount of \$128,383.15 (which includes an underwriting discount of \$105,895.70 and a net OID of \$22,487.45).

The Underwriter intends to offer all the Series 2005 Bonds initially at the offering price set forth on the cover page hereof. After the Series 2005 Bonds are released for sale, the price and other terms may be varied from time to time by the Underwriter.

## **LITIGATION**

There is no litigation pending or, to the knowledge of the County, threatened in any court or administrative body, questioning the enforceability of the Act, the ability of the County to impose permit fees, connection fees, service charges and annual assessments on the users of and property owners within the West Rehoboth System, the existence of the County, the validity of the Series 2005 Bonds, or any proceedings of the County taken with respect to the issuance or sale thereof, or seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2005 Bonds or questioning the power of the County to collect, pledge and assign the Gross Revenues of the West Rehoboth System, or to pay the Series 2005 Bonds as provided in the Trust Agreement.

## **FINANCIAL ADVISOR**

In connection with the authorization and issuance of the Series 2005 Bonds, the County has retained Fairmount Capital Advisors, Inc., Philadelphia, Pennsylvania, as its financial advisor ("Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement and any Appendix hereto. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **CONTINUING DISCLOSURE AGREEMENT**

The County will covenant for the benefit of owners of the Series 2005 Bonds in a Continuing Disclosure Agreement dated as of December 15, 2005 (the "Disclosure Agreement") (a) to provide notices of the occurrence of certain enumerated events; and (b) to provide certain financial information and operating data relating to the County by not later than first day of the eighth calendar month immediately following the end of the County's fiscal year, which would mean for a fiscal year ending June 30, by not later than February 1 each year commencing with February 1, 2006 (the "Annual Report"). These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12. The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and the state repository (if any). The notices of significant events will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") and any state repository. The specific nature of the information to be contained in the Annual Report or the notices of significant events and the other terms of the Disclosure Agreement are set forth in the proposed form of that Disclosure Agreement attached hereto as APPENDIX E.

## **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2005 Bonds, the security for the payment of the Series 2005 Bonds and the rights of the holders thereof

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. The execution of this Official Statement and its delivery have been duly authorized by the County Council of the County.

SUSSEX COUNTY, DELAWARE

By: /s/ Robert L. Stickels  
County Administrator

**APPENDIX A**

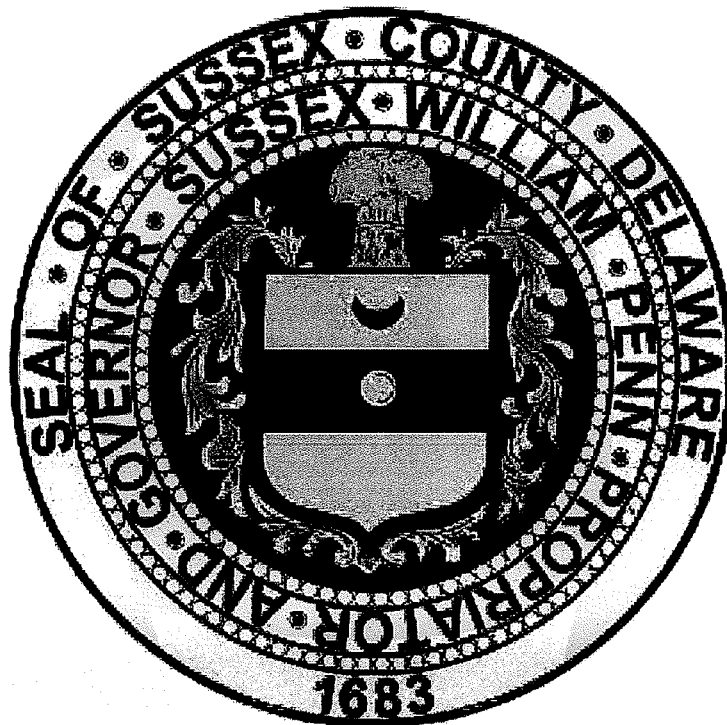
**SUSSEX COUNTY, DELAWARE**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2004**

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004



Prepared by the Finance Department

David B. Baker, Finance Director

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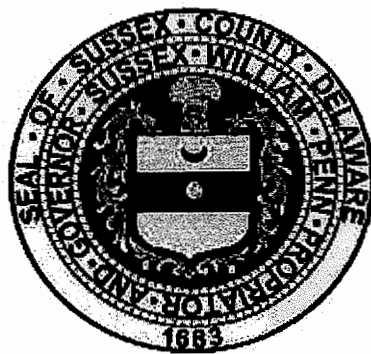
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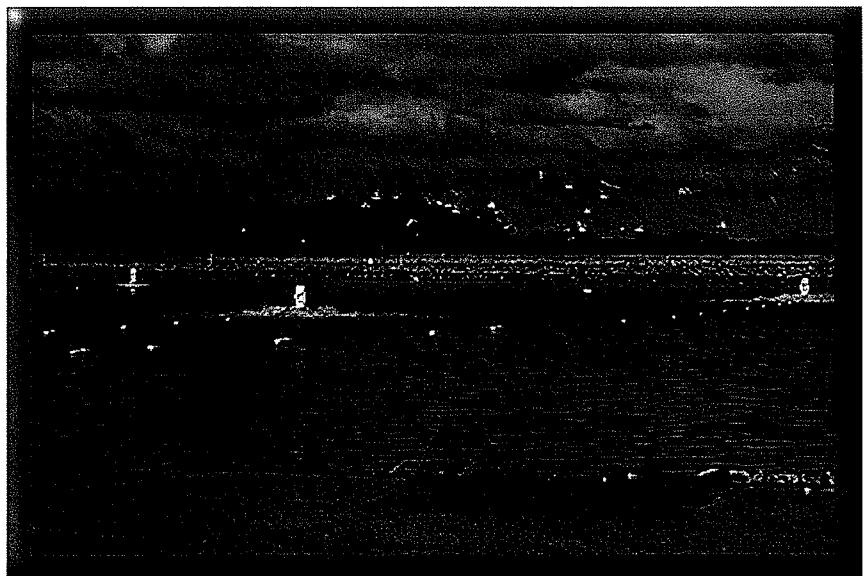
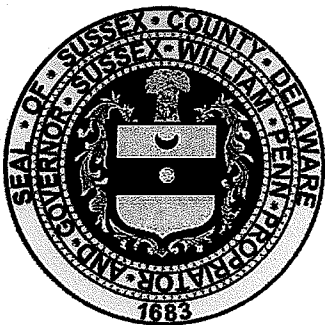
The Sussex County Emergency Command Post in Georgetown



State Police Helicopter, County Paramedics  
and Volunteer Ambulance Service



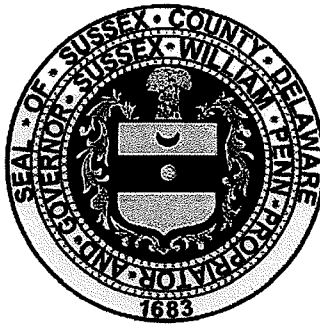
Delaware State Police at 9/11 Memorial Service in Georgetown



County sewer spray irrigation treatment lagoon – near Rehoboth Beach

## **INTRODUCTORY SECTION**

ROBERT L. STICKELS  
COUNTY ADMINISTRATOR



## *Sussex County*

ADMINISTRATIVE OFFICE BUILDING  
2 THE CIRCLE  
P.O. BOX 589  
GEORGETOWN, DELAWARE 19947  
TEL: 302-855-7742  
FAX: 302-855-7749

E-MAIL: [administration@sussexcountysde.gov](mailto:administration@sussexcountysde.gov)

December 21, 2004

The Honorable Sussex County Council President, Members of the Sussex County Council, and the Citizens of Sussex County:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the Sussex County Council for the fiscal year ended June 30, 2004. This report includes the annual Financial Statements as required by Delaware Law, presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America.

This report consists of management's representations concerning the finances of Sussex County, Delaware (County). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. The County has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Jefferson, Urian, Doane & Sterner, P.A., a firm of licensed certified public accountants. A goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended June 30, 2004, are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Single Audit section of this report includes these reports and related information.

A GAAP requirement is that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Sussex County's MD&A can be found immediately following the report from the independent auditors.

### **Profile of Sussex County**

Sussex County is the largest county in Delaware, comprising a total land area of approximately 946 square miles, or approximately 46 percent of the State's total area. The county is bordered on the east by the Atlantic Ocean, on the north by Kent County, Delaware, and on the south and west by a portion of the State of Maryland east of the Chesapeake Bay. The county is within 200 miles of New York City, Philadelphia, Baltimore, and Washington, D.C.

The County Government was established on July 23, 1970, replacing the Levy Court Commission with a Council-Administrator form of government. The government is composed of a legislative body, the County Council, and an administrative body that includes operating departments and offices, some of which are administrated by officials elected at-large. The County Council, which has legislative powers, consists of five members representing each of the County's respective districts. Each council member is elected to four-year staggered terms. The County Administrator, County Finance Director and County Engineer are appointed by the County Council. The County Administrator is responsible for the entire range of executive, administrative and fiscal duties performed by all County departments.

Sussex County, Delaware, is a rural county with beaches along the Delaware Bay and Atlantic Ocean. Sussex County is the fastest growing Delaware County, with a population that grew 38 percent between 1990 and 2000. Sussex County is a popular beach resort area and also a popular shopping attraction.

The County Government provides a variety of services including sewage collection and treatment, paramedic services, planning and zoning, and the operation of libraries. The County also owns and maintains the Sussex County Airport in Georgetown, the operation of which is leased to an independent contractor. The County provides paramedic services for the entire county. The Department of Emergency Operations handles dispatching 911 nonpolice calls. The Department of Libraries includes three County-managed libraries and a bookmobile. The County has approximately 484 employees, of which 98 percent are full-time and 2 percent are part-time employees. The Clerk of the Peace office issues marriage licenses and is administered by an elected Clerk of the Peace. An elected official also manages the Recorder of Deeds, which handles the recording of deeds and other legal documents. Elected officials also direct the Register of Wills and Sheriff's Office. The Sheriff's Office is responsible for delivering court-related documents.

The County provides substantial grant funding to volunteer fire departments annually. The County also assesses, bills and collects property taxes for eight school districts, as well as for the County government. The County also is the primary funding source for 11 local libraries, which are managed by independent library boards. The County also partially funds the cost

of 20 additional Delaware State Police in Sussex County. The County has entered an agreement with the State of Delaware to partially fund an additional 12 State Police in Sussex County over the next three years. This means that there will be 32 more State Police serving Sussex County in addition to the State of Delaware allotment.

County sewer and water districts compose a large portion of County expenditures. The County's growing sewage collection and treatment facilities handle over 44,000 current customers. There are 12 individual operating sewer and water districts managed directly by the County, in addition to various subdistricts and expansion projects. There are five additional approved sewer districts in design and/or construction phases. The number of sewer and water customers has increased 30 percent during the last five years, and 52 percent over the last ten years. The County is aggressively working to provide additional sewer service to meet our environmental needs. Each sewer district is treated as a separate fund. Combined financial information is included for these sewer districts in the Financial section.

The annual budget is recommended by the County Administrator and approved by the County Council prior to July 1 of each year, which is the start of the County's fiscal year. The budget serves as a financial guide for the County. The budget includes a 5-year capital project plan, with proposed financing for projects. Please see note "A" - Section 18 on pages 39 and 40, for additional budget information. Budget-to-actual comparisons, on pages 58 thru 67 (and on page 69), are also included.

### **Factors Affecting Financial Condition**

#### **Local Economy**

Agriculture, tourism, healthcare, construction, retail sales and education are the leading industries in Sussex County. Sussex County is the largest poultry-producing county in the United States, as was the case in 1997, 1992, 1987, 1982, 1978, 1949 and 1944. Two of the twenty largest U. S. poultry companies, Allen's Family Foods, Inc. and Mountaire Farms, Inc., have headquarters in Sussex County. Perdue Farms, Inc. also has processing facilities in Sussex. Over 188 million broilers and meat-type chickens were produced in Sussex County in 1997. Soybeans, corn and other vegetables are also important agricultural products. There are 205 Agriculture Preservation Districts now in Sussex County protecting over 64,000 acres as agriculture working lands.

Residential home construction has boomed in Sussex County. During fiscal year 2004, approximately 2,797 permits for new dwellings were issued, which is more than double the number of permits issued ten years earlier during Fiscal 1995. This is 9 percent more than the 2,558 dwelling permits issued during Fiscal 2003. There has been a steady increase in construction permits and values. This residential housing boom can be partially attributed to the quality of life in Sussex County, the seashore, and the reasonable cost-of-living in the county. Low state, school and county property taxes are also factors. Sussex County attracts a growing number of retirees.

Three hospitals are located within the county, in Seaford, Lewes and Milford. Also throughout the county there are other subsidiary medical facilities. Assisted living facilities and nursing homes are sited in Lewes, Georgetown, Milford, Seaford, Delmar, Millsboro, and Greenwood.



There are eight school districts in Sussex County, plus one Charter School and private schools. The Delaware Technical and Community College, at its 147-acre campus in Georgetown, offers Associate college degree programs in health, business, public service, engineering and industrial education. This Community College has established 39 connected degrees with various other institutions in the region that enables one to graduate with an Associates Degree and transfer to a four-year program at another college. Delaware Tech also provides an accelerated English and Math Program for Sussex County Middle and High School students. The University of Delaware, Delaware State University, and Wilmington College also offer courses in Georgetown at the Delaware Technical and Community College. Some four-year degrees, Master degrees, and a Doctoral Program are available there. The Sussex Technical School District and Delaware Technical & Community College also work closely with county employers to provide specialized training for employees. Delaware Tech is the number one provider of training for technicians at area hospitals.

The County is experiencing steady diversified growth in other industries. Significant other businesses located in the county include the Invista Nylon Plant in Seaford, Vlastic Foods, Inc. (a pickle processing plant) in Millsboro, and DeCrane Aircraft, Inc. (an airplane fuel tank and airplane services facility) in Georgetown. There has been significant growth at the County Industrial Park in Georgetown with the addition of the DeCrane Aircraft, Inc. facility, which services Boeing aircraft and manufactures patented auxiliary fuel tanks for Boeing. Approximately 200 skilled employees work at this facility. M & T Bank operates a call and consumer loan-processing center in Millsboro, employing approximately 400 employees. Other food processing companies include Sea Watch International (a seafood processing company) in Milford, Eastern Shore Poultry (a chicken processing plant) in Georgetown, and Burris Food, Inc. (a food distributor) in Milford. Other major employers include Barcroft Company (a pharmaceutical producer) in Lewes, Caulk Dentsply (a manufacturer of dental products) in Milford, Intervet (a poultry vaccine producer) in Millsboro, and Shoffner Industries (a manufacturer of roof trusses) in Georgetown.

A more recent fast-growing industry in Sussex County is retail outlets. Along a two-mile stretch of Route 1, between Lewes Beach and Rehoboth Beach, there are approximately 140 outlet stores offering products, such as clothing, tools, shoes, books, stereo equipment, food, kitchen supplies, camping equipment, restaurants, and even hot peppers. These outlets have become a year-round attraction for out-of-state residents, especially for those who are attracted by reasonable prices and the lack of a Delaware sales tax. This Outlet Center is ranked the largest on the Delmarva Peninsula and the sixth largest in the nation.

Tourism is an important industry in Sussex County. Tourism is responsible for employing over 7,700 people in Sussex, per the Sussex County Tourism Office. An estimated 2.6 million people-visits to Sussex County occur each year, with an estimated economic impact of over \$420 million. Per a 2002 survey, 47 percent of visitors visit our beaches and 45 percent shop in Sussex. Atlantic Ocean beaches include Dewey, Fenwick Island, South Bethany, Bethany, Rehoboth, and the Cape Henlopen State Park. Delaware Bay beaches include Lewes, Broadkill Beach, and Slaughter Beach. The Delaware Seashore State Park is a popular attraction between Dewey Beach and Bethany Beach, offering swimming, surfing, clamming, fishing and boating as options. This section of beach is a narrow section of land, with the Atlantic Ocean on the east side and the Rehoboth and Indian River Bays on the west

side. The Cape Henlopen State Park, between Lewes and Rehoboth, offers ocean and Delaware Bay beaches for swimming and fishing. There are also numerous hiking trails at the park. Sussex County is conveniently located to take advantage of a recent trend to vacation closer to home. The top five states of visitor origin are Maryland, Pennsylvania, Delaware, New Jersey, and Virginia.

Sussex County's population grew 38 percent between the 1990 and 2000 U. S. census. This rate of growth is the highest in the State of Delaware and is expected to continue at a similar pace during the next 10 years. As noted, the attractiveness of Sussex County as a place to live, has provided the impetus for a residential home building boom that has increased demands on the County to provide for growing needs for public safety, including paramedics and additional police, as well as sewer infrastructure.

The economic outlook for Sussex County is promising. The population is expected to increase at over 2% per year for the next 5 years. New public schools are under construction. Beebe Hospital has completed a new outpatient facility near Lewes. Construction continues at a record pace with the estimated value of new construction of \$641 million, up 13 percent for Fiscal 2004 versus 2003. The State of Delaware Department of Transportation is projecting spending \$321 million over the next six years in Sussex County for road improvements.

#### Financial Planning

Sussex County has strengthened its financial condition, especially during the past several years. A County goal is to maintain a sufficient undesignated fund balance amount each fiscal year. As of June 30, 2004, the General Fund's undesignated fund balance of \$10.2 million was 20 percent of the Fiscal 2005 budget. This is net of reserves and designations for additional pension funding, landfill costs, sewer grants, airport projects, open space preservation, and funding for a new Emergency Operations Center.

The County is attempting to fund its non-sewer and water assets on a pay-as-you-go basis and avoid issuing debt for the same. As of June 30, 2004, the County had designated \$4.5 million toward the cost of a new Emergency Operations Center. \$2 million has been designated for a new County office building in response to the growth in the County. By designating these funds, the future construction of these projects will be from available resources. \$1.2 million has been set aside for landfill post-closure anticipated costs.

The County is also reserving and designating funds for an airport T-hangar expansion and clear zone projects. Additional funds are set aside for an instrument landing system and fire protection system. The County plans to fund these projects with Federal Aviation Administration (FAA) grants, State grants, and County contributions.

Major sewer project expansions are planned for the next few years. The Cedar Neck Sewer Project, serving approximately 922 customers, was completed during Fiscal 2005. Cedar Neck Sewer costs total over \$11 million. The Oak Orchard Sanitary Sewer District Project has begun construction. Approximately \$9 million of additional costs are anticipated to complete this project during Fiscal 2005 and 2006. Other projects in the design phase include the Bay View Estates, Sea Country Estates, Miller Creek, South Ocean View, and Millville

sewer projects. An expansion to increase the capacity of the South Coastal Regional Wastewater Facility by one-third has begun. This project will cost over \$20 million. The Fiscal 2005 Five Year Capital Improvement Plan includes \$134 million for sewer expansion and some upgrades. Funding for these projects includes State Revolving Fund loans, State grants, Federal USDA loans and grants, and County grants.

#### Cash Management Policies and Practices

Except for the Pension Fund and West Rehoboth Sewer Revenue Bond Trust Funds, the County invests available funds on a short-term basis with local Sussex County banks. The County solicits bids, weekly, for collateralized certificates of deposit with Sussex County banks. Collateralized money market accounts are also utilized to maximize interest earnings. The West Rehoboth Sewer Trust Fund monies are invested in U. S. Treasury Obligations and some Repurchase Agreements.

Some investments from different County funds are pooled in bank accounts. Careful accounting records are maintained to track these investments. There are no pooled investments with statewide funds, except in the Pension Fund and the Pensioner Benefit account.

The County conservatively requires collateralization with U. S. Treasury and accepted Agency Obligations. Our policy is to invest with local Sussex County banks that can provide this collateral held by third party banks. Please see Note B, on pages 40 thru 42, for additional information regarding cash and collateralization.

The Sussex County Pension Fund is diversified with three different managers, Fidelity Investments, the State of Delaware Local Government Pension Investment Pool, and the Wilmington Trust Company. The Sussex County Pension Committee oversees the management of the fund and is responsible for recommendations to the County Council regarding investments. The Pension Committee's policy set a goal of 60 percent investments in equity and 40 percent in bond investments. Since calendar year 1994, Pension Fund returns have averaged almost 8 percent per year.

#### Risk Management

During Fiscal 2004, the County expensed \$998,718 for insurance covering liability, auto, workers compensation, property, public officials errors and omissions, flood insurance, and employee bonding. Insurance matters are reviewed with an independent insurance consultant. Every three years, the County rebids the insurance policies to obtain the best pricing available. Please see the Schedule of Insurance, on pages 154 and 155, for detail regarding individual policies. During Fiscal 2003, the County began self-insuring one major asset, an ocean outfall valued at about \$21,000,000. Since its construction in 1978, there have been no insurance claims regarding this Outfall. During Fiscal 2004, the County did not experience any major losses due to accidents or acts of nature.

Regarding the employee health plan, the County maintains a self-insured plan, whereby the County funds expenses per employee up to \$85,000 per year. Expenses over the \$85,000 threshold are covered under a reinsurance policy, subject to a maximum aggregate limit of \$7,521,407. The County deposits monies in the health fund each month to cover the health

plan cost. The County has successfully maintained this self-insured plan for over 10 years. Please refer to Note L, on pages 53 and 54, for additional information.

#### *Pension and Other Post-Employment Benefits*

The County provides a defined benefit pension plan for its employees. Employees are vested with a minimum of 8 years of service. Surviving spouses are eligible for 50 percent of the covered employee's pension benefit. The Pension Trust Fund is treated as a fiduciary fund in the Financial section.

The County is proud that it has made substantial contributions to the pension fund over the last few years. The value of the fund has increased from \$4 million in 1993 to \$24.3 million as of June 30, 2004. Our goal has been to fully fund the pension plan. As of January 1, 2004, the most recent actuarial study shows a deficit of \$2 million on an actuarial funding basis. This result is, primarily, due to the stock market downturn during 2000 thru 2002. The Fiscal 2005 Budget includes a 13.9 percent pension contribution of \$2,461,000, with a goal to pay off the unfunded amount within three years.

During Fiscal 2004, the County has contributed funds in addition to the required contribution. As noted in Note E on pages 44 thru 46, since Fiscal 1993, the County has contributed over \$880,000 per year to the Pension Fund to bring the fund up to the recommended level. Contributions prior to Fiscal 1993 were insufficient to fully fund the plan.

The County, as part of the budgetary process, has limited pensioner cost-of-living increases to one-half of the County employee cost-of-living increase, with a maximum of two percent per year. Pensioner cost-of-living increases are recommended annually with the County Budget.

The County provides post-employment healthcare benefits to pensioners based on their years of service and status when they leave County employment. In anticipation of proposed accounting rule changes and in an effort to fund future liabilities, during Fiscal 2003, the County established a post-employment benefit account with \$500,000. During Fiscal 2004, the County deposited an additional \$1 million to this account, which was valued at \$1,713,000 as of June 30, 2004. Annual contributions to this account will begin funding County liability for pensioner healthcare benefits. During December 2004, the County deposited an additional \$886,000 to this account for post-employment benefits.

#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sussex County for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the second year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

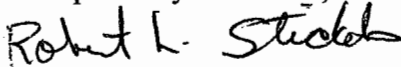
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Production of this report is due to the tremendous efforts of County employees in the Finance and Administration Department. We would like to especially thank those employees and the County auditors for their dedication to the completion of this report.

We would also like to thank the County Council for their support in maintaining the strong financial position of our County. Their direction has enabled the County to attain bond rating upgrades reflecting strong finances.

Respectfully submitted,



Robert L. Stickels  
County Administrator  
RLS:DBB/nc



David B. Baker  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sussex County,  
Delaware

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



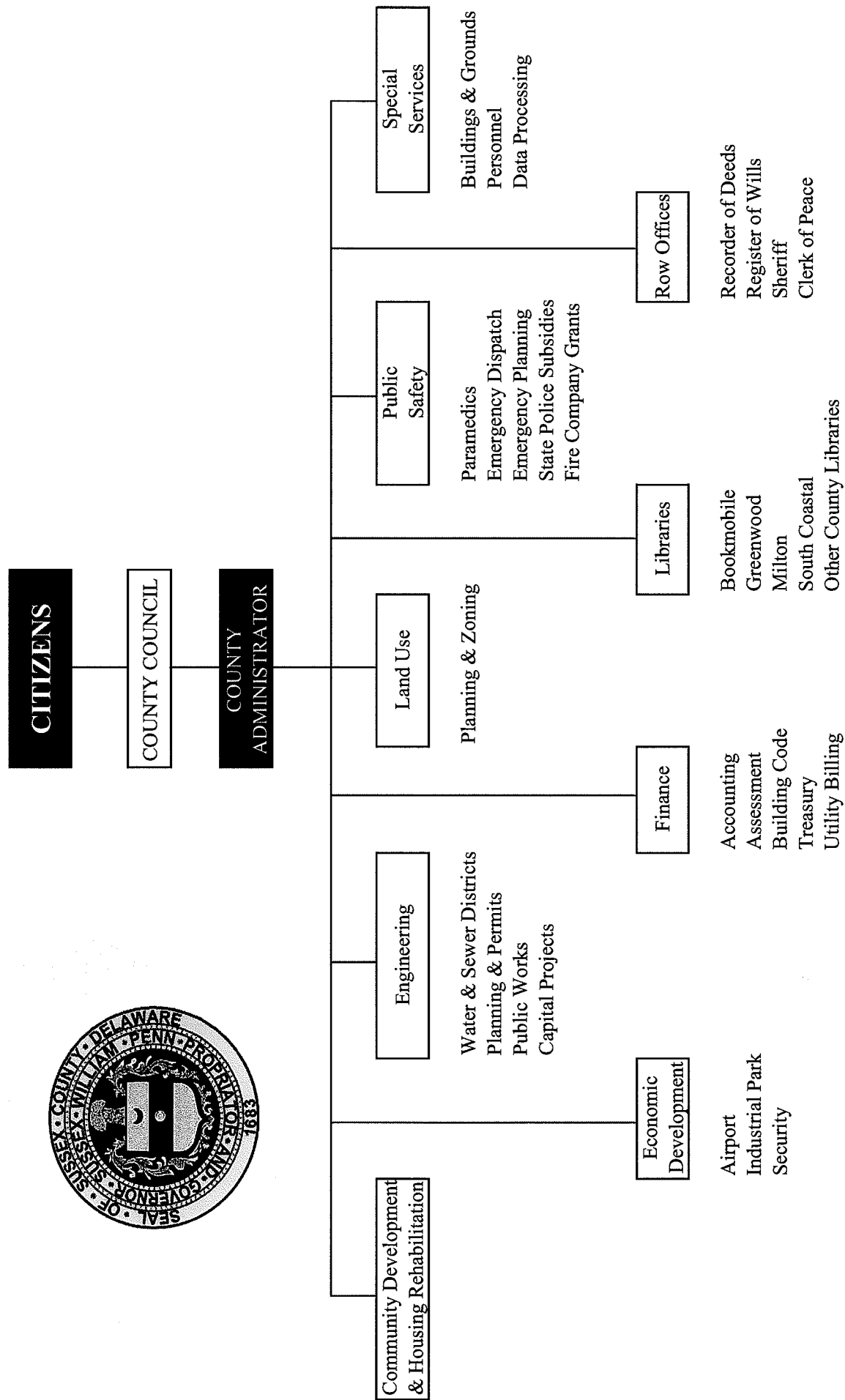
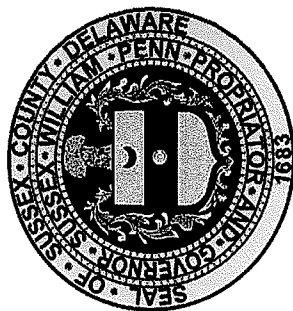
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

**SUSSEX COUNTY, DELAWARE  
ORGANIZATIONAL CHART  
FOR THE FISCAL YEAR 2004**



**SUSSEX COUNTY, DELAWARE**

***LIST OF ELECTED OFFICIALS***

**JUNE 30, 2004**

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<b><u>COUNCIL</u></b>	<b><u>Length of Service</u></b>	<b><u>Term Expires</u></b>
<b><i>District 1 - (President)</i></b> Dale R. Dukes	16 Years	Jan. 2005
<b><i>District 2 - (Vice-President)</i></b> Finley B. Jones, Jr.	8 Years	Jan. 2005
<b><i>District 3</i></b> Lynn J. Rogers	8 Years	Jan. 2005
<b><i>District 4</i></b> George B. Cole	18 Years	Jan. 2007
<b><i>District 5</i></b> Vance C. Phillips	6 Years	Jan. 2007
-----		
<b><i>Clerk of the Peace</i></b> Thelma Monroe	3 Months	Jan. 2005
<b><i>Recorder of Deeds</i></b> John F. Brady	2 Years	Jan. 2007
<b><i>Register of Wills</i></b> Howard Clendaniel	10 Years	Jan. 2007
<b><i>Sheriff</i></b> Robert L. Reed	6 Years	Jan. 2007



**SUSSEX COUNTY, DELAWARE**

**COUNTY DEPARTMENT HEADS & OTHER OFFICIALS**

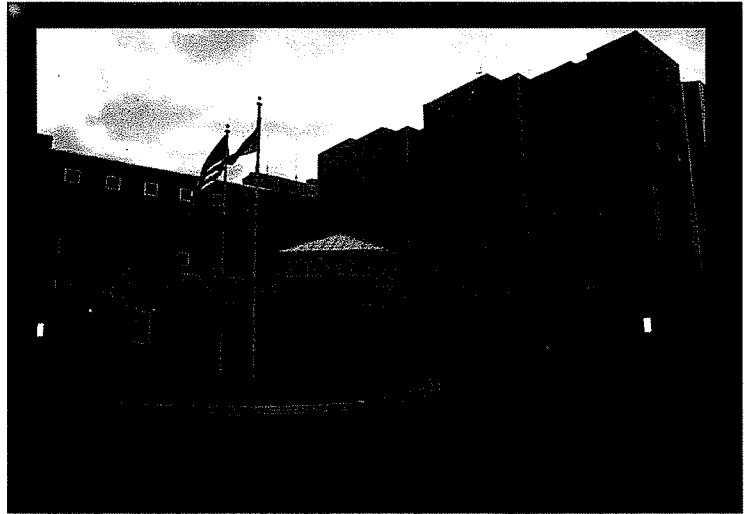
**JUNE 30, 2004**

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	<u><b>Length of Time in Position</b></u>	<u><b>Length of Service with the County</b></u>
<i>County Administrator</i> - Robert L. Stickels	17 yrs.	17 years
<i>County Attorney</i> - James D. Griffin, Esquire	1 yr	1 year
<i>Finance Director</i> - David B. Baker	13 yrs.	26 years
<i>County Engineer</i> - Michael A. Izzo, P.E.	8 yrs.	20 years
<i>Accounting Division Director</i> - Susan M. Webb	11 yrs.	11 years
<i>Assessment Division Director</i> - Eddy J. Parker	14 yrs.	24 years
<i>Facilities Manager</i> - Ray W. Webb	25 yrs.	27 years
<i>Community Development Program Director</i> - William C. Lecates	14 yrs.	25 years
<i>Data Processing Director</i> - Bonnie O. Smith	17 yrs.	35 years
<i>Economic Development Director</i> - Stephen T. Masten	2 yrs.	28 years
<i>Emergency Preparedness Director</i> - Joseph L. Thomas	7 yrs.	18 years
<i>Library Director</i> - Carol H. Fitzgerald	19 yrs.	19 years
<i>Paramedic Director</i> - Glenn H. Luedtke	4 yrs.	4 years
<i>Personnel Director</i> - Dennis V. Cordrey	24 yrs.	27 years
<i>Planning and Zoning Director</i> - Lawrence B. Lank	19 yrs.	35 years
<i>Treasury Division Director</i> - Joyce F. Lord	19 yrs.	36 years
<i>Utility Billing Division Director</i> - Leon Collins	19 yrs.	25 years



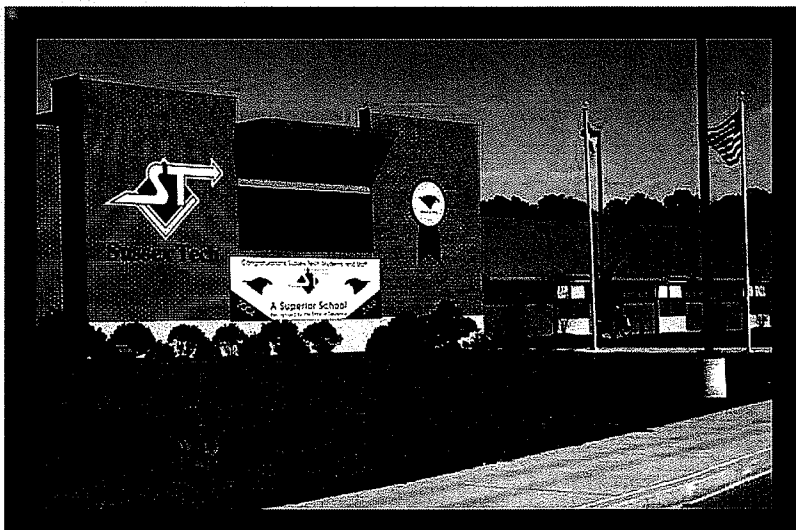
Seaford Industrial Park



Beebe Medical Center in Lewes



New home construction within the County



Sussex Tech, National Blue Ribbon School near Georgetown



Outlet Center shoppers near Rehoboth Beach

## **FINANCIAL SECTION**

# Jefferson, Urian, Doane & Sterner, P.A.

A PROFESSIONAL CORPORATION • CERTIFIED PUBLIC ACCOUNTANTS

DAVID R. URIAN, CPA  
DAVID C. DOANE, CPA  
CHARLES H. STERNER, JR. CPA, CVA  
SHELDON L. FORNEY, CPA  
JAY M. STEVENS, CPA, PFS  
ROGER R. REED, CPA  
PENELOPE L.H. HOWE, CPA, PFS

TRUITT W. JEFFERSON, CPA, DIRECTOR  
RETIRED

ELAINE E. GRAVES, CPA, DIRECTOR  
ANITA Y. SMITH, MED, DIRECTOR

## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the County Council  
Sussex County, Delaware  
Georgetown, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sussex County, Delaware as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sussex County, Delaware's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sussex County, Delaware as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2004, on our consideration of Sussex County, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 17 and the required supplementary information on pages 56 and 57, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sussex County, Delaware's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Sussex County, Delaware. The combining and individual fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
November 29, 2004

## SUSSEX COUNTY, DELAWARE

### MANAGEMENT'S DISCUSSION & ANALYSIS

#### FOR THE FISCAL YEAR ENDED JUNE 30, 2004

This section of the report offers an overview and analysis of the financial activity of Sussex County, Delaware, for the year ended June 30, 2004. Please consider this Management's Discussion and Analysis (MD & A) along with other additional information included in the letter of transmittal and other sections of the report.

#### Financial Highlights

##### Government-wide Financial Statements

- As of June 30, 2004, assets exceeded liabilities by \$216,901,313. Of this amount, \$53.2 million was unrestricted and may be used for ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$48,346,457 during the year. The governmental activities portion, \$22.3 million, is attributable, primarily, to an increase in construction-related user fees, revenue from the realty transfer tax, and Recorder of Deeds fee income. The business-type activities increase in net assets of \$26 million is, primarily, due to growth-related capital cost contributions, connection fee income, State grant capital contributions, and County contributions.

##### Fund Financial Statements

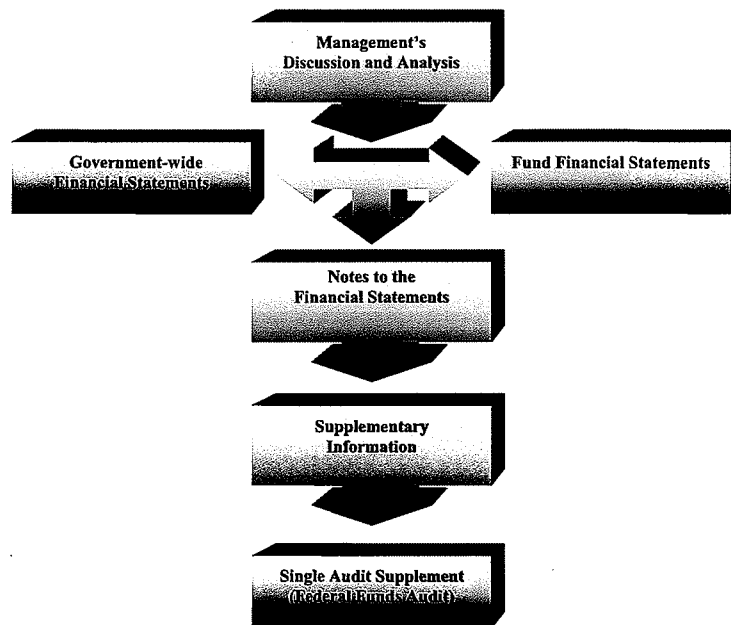
- As of June 30, 2004, the County's Governmental Funds reported an ending fund balance of \$72.8 million. This increased \$20.3 million from the proceeding year. About 36 percent, or \$26.4 million, was unreserved or available for spending at the County's discretion.
- The undesignated fund balance as of June 30, 2004 for the Governmental Funds was \$10.2 million, or 16 percent of the Fiscal 2005 Budget for these funds.

##### Debt Offering

- During Fiscal 2004, the County issued \$24 million in general obligation debt for six sewer funds. The respective sewer funds will be responsible for paying the debt service for these bonds.

#### Overview of the Financial Statements

Management's Discussion and Analysis introduces the County's basic financial statements. Sussex County's basic financial statements include: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. Supplementary information, in addition to the basic financial statements, is also included. The Single Audit (Federal Funds) Supplement follows the supplementary information.



### Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business. This Government-wide Financial Reporting includes two statements: the Statement of Net Assets and the Statement of Activities. Fiduciary activities, including the County's pension fund, are excluded from these statements because its resources are not available to finance other County programs.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of Sussex County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the current fiscal year. Changes in net assets are reported when the underlying event occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not impact cash flows until future fiscal periods.

Both the Statement of Net Assets and Statement of Activities account separately for governmental activities and business-type activities.

- Governmental activities include General Government, Paramedics, Libraries, Planning and Zoning, Economic Development, Emergency Preparedness (911), and Constitutional Offices. These activities are mostly supported by user charges, taxes, and operating grants.
- Business-type activities - This includes Sussex County sewer and water districts, which are funded primarily by user charges, assessment charges, connection fees, and contributions.

The Government-wide Financial Statements immediately follow this MD & A on pages 18 and 19 of this report.

### Fund Financial Statements

The next group of financial statements, beginning on page 20 of this report, are Fund Financial Statements. The Fund Financial Statements reinforce and provide additional information.

A fund is an accounting entity that is used to maintain control over resources that have been segregated for specific activities or objectives. Sussex County, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. Sussex County's funds are divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

- *Governmental Funds* - Governmental Funds account for essentially the same functions as Governmental Activities in the Government-wide Financial Statements. Governmental Fund Financial Statements do focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the Government-wide Financial Statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the Government-wide Statements (see pages 20 and 22).

Sussex County maintains two individual governmental funds. These include the following: General and Capital Project funds. They are presented in separate columns on the Governmental Funds Statements.

The basic financial statements include a budgetary comparison statement for the General Fund. A budgetary comparison schedule has been included for the capital projects fund in the supplemental information. Sussex County adopts an annual appropriated budget for its General and Capital Project Funds.

- *Proprietary Funds* - Sussex County's Proprietary Funds are solely enterprise funds, which operate in a manner similar to private business enterprises. Sussex County's Proprietary Funds include five major funds for the Bethany, Long Neck, West Rehoboth, South Coastal Regional Wastewater Facility, and Inland Bays Regional Wastewater Facility Sewer Projects. They also include, combined in the Statements, fourteen other sewer and water projects.
- *Fiduciary Funds* - Sussex County has only one Fiduciary Fund, the Pension Trust Fund. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the Government-wide Financial Statement because the resources of these funds are not available to support the County's own programs. The separate accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The Fiduciary Fund Financial Statement can be found on pages 31 and 32 of this report.

### Notes to the Financial Statements

Notes to the Financial Statements found on pages 33 through 55 of this report, provide additional information that is important for a better understanding of the data provided in the Financial Statements.



### Other Information

Pages 56 and 57 include required supplementary information regarding pension funding progress. Following those schedules are General Fund and Capital Project budgetary comparison schedules, General Fund revenue and expenditure total schedules, combining proprietary fund schedules, capital asset schedules, and other information. These follow on pages 58 through 84. The Statistical Section follows on pages 85 through 155 with additional County information. The Single Audit, a separate federal grant audit, follows the Statistical section.

### Government-wide Financial Analysis

As previously noted, assets exceed liabilities by \$216.9 million as of June 30, 2004. Net assets may serve over time as a useful indicator of a government's financial position.

The following Table is a summary of the government-wide statement of net assets:

#### **SUSSEX COUNTY'S SCHEDULE OF NET ASSETS**

**As of June 30, 2004 and 2003**

	Governmental Activities		Business-type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 98,952,085	\$ 74,870,820	\$ 38,509,684	\$ 42,582,557	\$ 137,461,769	\$ 117,453,377
Capital Assets	22,045,381	20,929,531	236,694,269	187,989,397	258,739,650	208,918,928
Total Assets	\$ 120,997,466	\$ 95,800,351	\$ 275,203,953	\$ 230,571,954	\$ 396,201,419	\$ 326,372,305
Current and Other Liabilities	19,350,324	16,584,944	4,201,772	4,549,410	23,552,096	21,134,354
Long-term Liabilities Outstanding	8,008,569	7,944,527	147,739,441	128,738,568	155,748,010	136,683,095
Total Liabilities	\$ 27,358,893	\$ 24,529,471	\$ 151,941,213	\$ 133,287,978	\$ 179,300,106	\$ 157,817,449
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	21,778,122	20,520,112	79,179,482	60,012,101	100,957,604	80,532,213
Restricted	26,751,718	15,914,734	35,967,259	34,600,947	62,718,977	50,515,681
Unrestricted	45,108,733	34,836,034	8,115,999	2,670,928	53,224,732	37,506,962
Total Net Assets	\$ 93,638,573	\$ 71,270,880	\$ 123,262,740	\$ 97,283,976	\$ 216,901,313	\$ 168,554,856

A large portion of the County's net assets (47 percent) are not available for future spending since they represent amounts invested in capital assets (e.g., land, buildings, machinery and equipment). This investment is net of any related debt that was used to acquire those assets that is still outstanding. It should be noted that the resources needed to repay outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. This portion of net assets increased by \$20.4 million during Fiscal 2004, primarily due to the purchase of 2,264 acres of land for future sewer treatment spray irrigation.

Of the remaining \$115.9 million in net assets, \$36 million is restricted for the repayment of interest and principal on bonds issued to finance water and sewer district costs or for capital costs incurred. For governmental activities, \$26.8 million represents realty transfer taxes, 911 fees received, and grant funds on-hand, which are restricted for specific purposes. Realty transfer tax funds must be used for public safety, economic development, public works, capital projects, infrastructure projects, or debt reduction. Restricted realty transfer tax funds increased \$10.3 million due to the 53 percent transfer tax revenue increase during the year. Realty transfer tax restricted funds include reservations for sewer district contributions (\$10.3 million), library expansion projects (\$800,000), a new Emergency Operations

Center (\$5.5 million), Industrial Park infrastructure (\$1.9 million), and County Airport improvements (\$3.3 million). Available 911 fees are restricted for specific emergency dispatch purposes.

The remaining \$53.2 million in net assets is unrestricted and may be used for ongoing obligations to citizens and creditors. As of June 30, 2004, net assets were positive for both governmental activities and business-type activities.

The following schedule shows the breakdown of changes in net assets for Governmental and Business-Type Activities for Fiscal 2004 and 2003.

### SUSSEX COUNTY'S CHANGES IN NET ASSETS

For the Years Ended June 30, 2004 and 2003

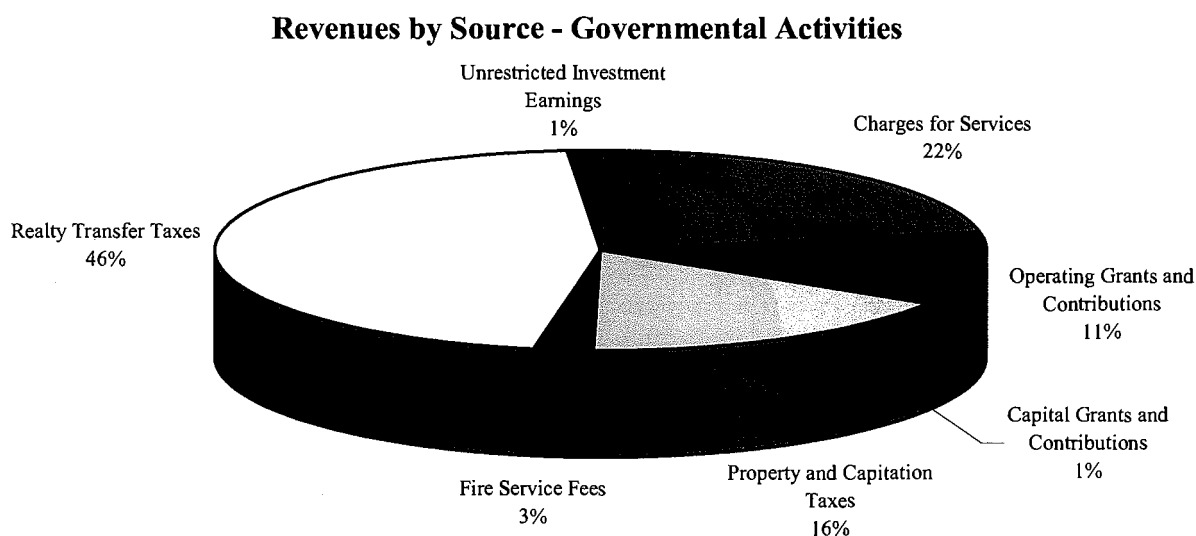
	Governmental Activities		Business-type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 13,110,344	\$ 11,509,387	\$ 11,132,167	\$ 10,024,854	\$ 24,242,511	\$ 21,534,241
Operating Grants and Contributions	6,790,770	6,562,723	16,033,341	14,535,829	22,824,111	21,098,552
Capital Grants and Contributions	318,157	601,631	15,113,921	7,015,899	15,432,078	7,617,530
General Revenues						
Property Taxes	9,568,521	9,114,721	-	-	9,568,521	9,114,721
Capitation Taxes	237,282	221,690	-	-	237,282	221,690
Fire Service Taxes	1,510,691	1,285,885	-	-	1,510,691	1,285,885
Realty Transfer Taxes	27,399,572	17,917,521	-	-	27,399,572	17,917,521
Investment Income	892,938	890,505	198,309	190,215	1,091,247	1,080,720
Total Revenues	\$ 59,828,275	\$ 48,104,063	\$ 42,477,738	\$ 31,766,797	\$ 102,306,013	\$ 79,870,860
<b>Expenses:</b>						
Primary Government:						
General Government	\$ 9,622,999	\$ 8,416,614	\$ -	\$ -	\$ 9,622,999	\$ 8,416,614
Grant-in-aid Programs	6,892,065	4,120,039	-	-	6,892,065	4,120,039
Planning and Zoning	1,012,053	917,317	-	-	1,012,053	917,317
Paramedic Program	6,840,784	5,914,818	-	-	6,840,784	5,914,818
Emergency Preparedness	1,889,708	1,726,567	-	-	1,889,708	1,726,567
Economic Development and Public Works	428,025	423,154	-	-	428,025	423,154
County Engineer	1,079,543	1,418,560	-	-	1,079,543	1,418,560
Airport	532,414	375,629	-	-	532,414	375,629
Engineering - Solid Waste	33,544	1,956,518	-	-	33,544	1,956,518
Library	2,729,492	2,780,506	-	-	2,729,492	2,780,506
Community Development and Housing Programs	1,488,969	1,522,300	-	-	1,488,969	1,522,300
Constitutional Offices	1,985,946	1,728,453	-	-	1,985,946	1,728,453
Business-type Activities	-	-	19,424,014	20,036,103	19,424,014	20,036,103
Total Expenses	\$ 34,535,542	\$ 31,300,475	\$ 19,424,014	\$ 20,036,103	\$ 53,959,556	\$ 51,336,578
Increase in Net Assets Before Transfers	\$ 25,292,733	\$ 16,803,588	\$ 23,053,724	\$ 11,730,694	\$ 48,346,457	\$ 28,534,282
Transfers	(2,925,040)	(2,153,000)	2,925,040	2,153,000	-	-
Increase in Net Assets	\$ 22,367,693	\$ 14,650,588	\$ 25,978,764	\$ 13,883,694	\$ 48,346,457	\$ 28,534,282
Net Assets - Beginning	71,270,880	56,620,292	97,283,976	83,400,282	168,554,856	140,020,574
Net Assets - Ending	\$ 93,638,573	\$ 71,270,880	\$ 123,262,740	\$ 97,283,976	\$ 216,901,313	\$ 168,554,856

### Governmental Activities

Governmental activities increased net assets by \$22,367,693 during Fiscal 2004. This represents 46 percent of the increase in net assets for the year. Governmental activities include the General Fund, Community Development and Block Grant Funds, Housing Rehabilitation Funds, and Capital Project Funds.

As per the preceding schedule, tax revenues total \$38.7 million for Fiscal 2004 for governmental activities. This includes \$27.4 million received from realty transfer taxes reflecting major growth in the number of real estate transactions in the County. Realty transfer tax revenue was up 118 percent compared to two years ago, Fiscal 2002.

The below pie chart shows Realty Transfer Tax as the largest governmental revenue comprising 46 percent of total revenue, followed by Charges for Services (22%), and Property and Capitation taxes (16%).

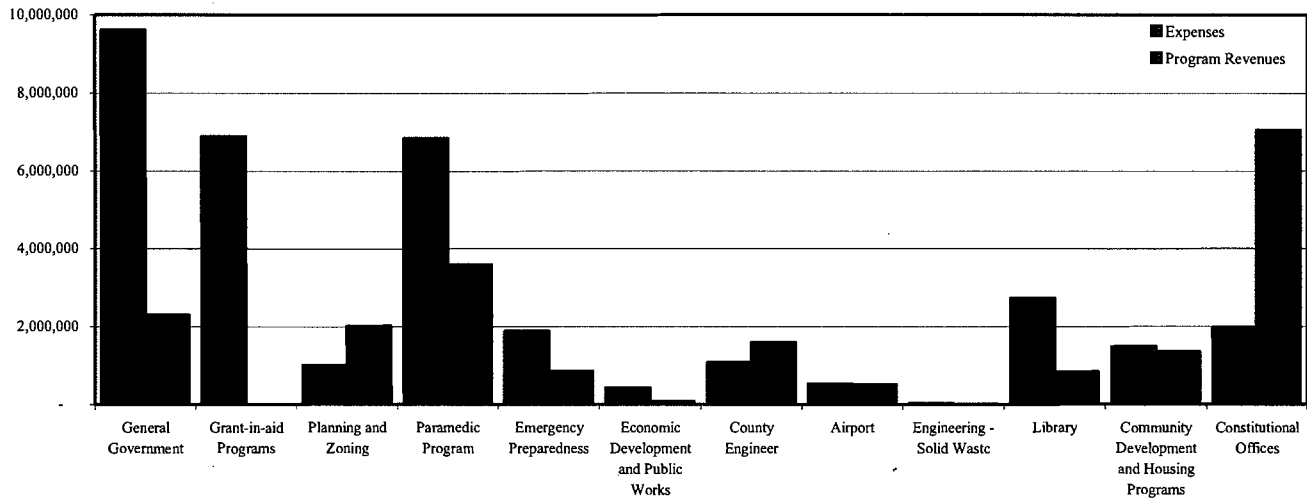


Charges for services reflect major increases in revenue from the Private Road Inspection and Design fees and Recorder of Deeds fees. These two revenues alone were up \$1.5 million, or 26 percent, from the previous year. They also reflect the strong housing and property sales market in Sussex County.

Governmental activity expenses also increased, albeit, at a slower rate. Growth in these expenses reflects the need to increase services for an increasing population.

The following bar chart compares revenues and expenses for each governmental activity.

**Expenses and Program Revenues - Governmental Activities**



During Fiscal 2004, the Paramedic Program placed in service an additional unit in the western side of the County. This brought the County up to seven paramedic units. This is needed to meet the growing number of paramedic calls. Also, during 2004, the Paramedic program improved by adding an additional supervisor for each shift. This has improved emergency response times by providing additional backup support and better management. Also, during Fiscal 2004, the County contributed \$1.1 million to the State of Delaware to build and renovate buildings near Bridgeville, which will house a new paramedic station on the western side of the County. This new station will also improve response times by increasing the number of paramedic stations from two to three on the western side of the County. This contribution will also be used to partially fund a new facility for the State Police.

During Fiscal 2004, the County provided \$149,250 in grants for community improvements to local nonprofit organizations as part of a new program to benefit County residents. These grants included local historical societies, a youth soccer program, and agriculture programs. The County also expended \$890,971 for open space land preservation. These funds will protect approximately 853 acres of farmland from future development.

Sussex County's Grant-in-Aid Program for Fiscal 2004 reflected an increase in funding for police. The County partially funded 20 additional State Police to service our county. During the next 3 years, this will increase by 4 police officers per year, for a total of 32 State Police, which is in addition to the normal State allotment for our county.

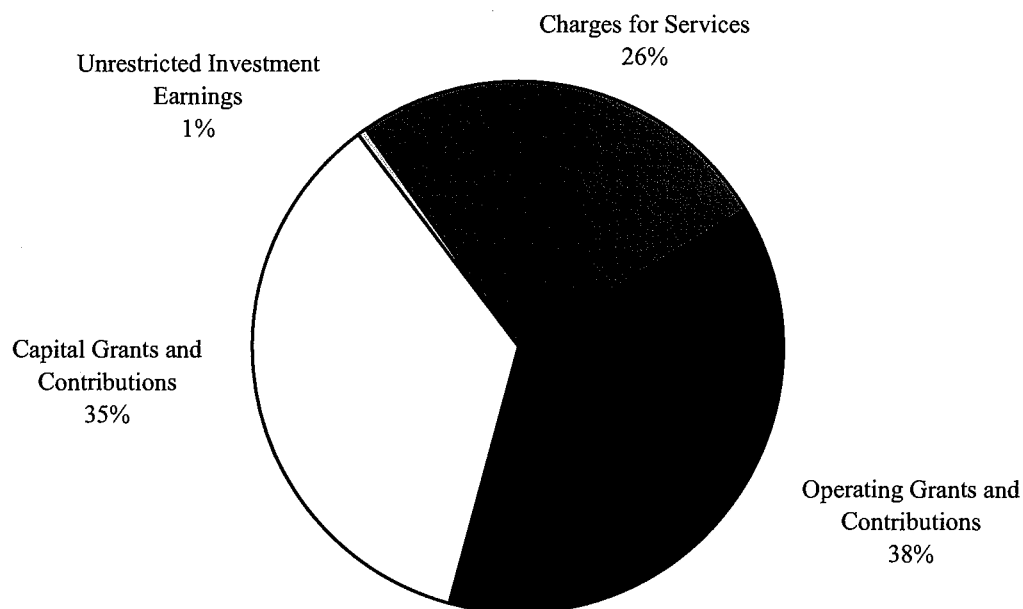
During Fiscal 2004, the County continued expansion projects at the County Airport. Four new T-hangers were in the construction phase. Design occurred for a new airport perimeter security fence. The County began negotiating and purchasing property needed to extend an airport runway which will enable businesses and employers at the airport to grow.

County transfer grants to sewer and water districts, totaling \$2,925,040, were made during Fiscal 2004. These grants help offset capital costs incurred and are a major factor in maintaining sewer user rates at reasonable levels.

**Business-type Activities**

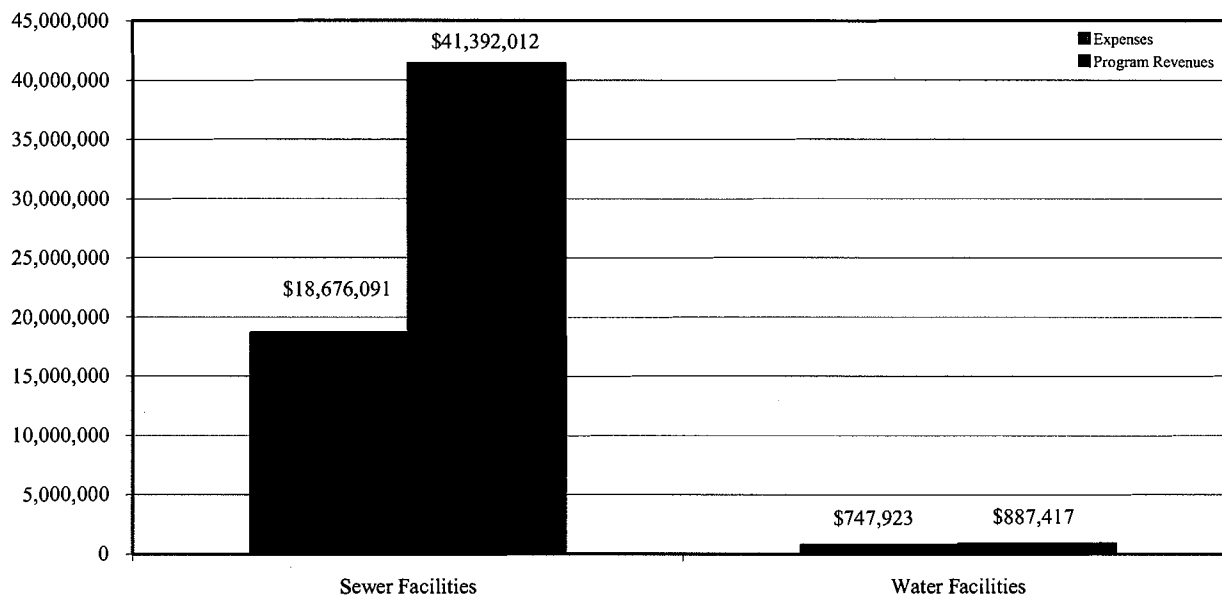
Sussex County's water and sewer funds recorded an increase in net assets of \$25,978,764 during Fiscal 2004. Income before capital contributions and transfers was \$7,939,803. The pie chart reflects the large amounts received from grants and contributions for capital costs.

**Revenues by Source - Business-type Activities**



The following bar chart shows that program revenues exceeded expenses for both sewer and water facilities.

### Expenses and Program Revenues - Business-type Activities



- Capital contributions from developers totaled \$7,562,965 during the year. This includes sewer facilities for new development as required by the County, which are deeded to the County upon project completion. This amount increased 39 percent from \$5,450,000 during Fiscal 2003.
- The County also received \$7,271,975 in connection fees for new growth in the sewer and water districts. This was a 29 percent increase due to an increase in number of customers and an increase in connection fee rates. County sewer and water districts' EDUs grew by 6.3 percent, from 44,961 at the beginning of the year to 47,788 as of June 30, 2004.
- During Fiscal 2004, the Ellendale Sewer District began operations. As of June 30, 2004, 290 EDUs had connected to this new system serving the Ellendale community.
- The Cedar Neck Sewer Project also began operations. Final construction completion occurred during Fiscal 2005.

### Financial Analysis of the County's Funds

As previously noted, Sussex County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

#### Governmental Funds

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the County's financing requirements for operations. Unreserved fund balance may serve as a useful measure of the County's net resources available for spending and for future needs.

During Fiscal 2004, the County's Governmental Fund balance increased \$20,294,342 to \$72,766,970. As noted previously, this is particularly due to strong residential housing demand in the County. The County's realty transfer tax revenue increased by \$9,482,051, or 53 percent. Related revenues from Recorder of Deeds, Building Permit and Zoning, Building Inspection, and Private Road Inspection and Design fees were also up 20 percent, or \$1,819,000, from the previous year.

Undesignated Fund Balance for the General Fund rose to \$10,169,005. This is net of designations for open space purchases (\$2,287,694), pension and pension benefit fund contributions (\$3,500,000), community grants (\$575,496), reassessment (\$530,000), and the Fiscal 2005 one-time property tax credit (\$2,500,000). Our goal is to maintain an undesignated portion of fund balance of approximately 25 percent of the succeeding year's General Fund Budget. As of June 30, 2004, the General Fund Undesignated Fund Balance of \$10,169,005 is 20 percent of the Fiscal 2005 Budget.

The Governmental Funds include the General Fund and Capital Project Fund. General Fund includes County Administration, Finance, Personnel, Buildings and Grounds, Planning & Zoning, Emergency Preparedness (911), Paramedics, Economic Development and Industrial Park, Engineering Administration and Public Works, Solid Waste, County Airport, Libraries, and Constitutional Offices, including Recorder of Deeds, Register of Wills, Sheriff, and Clerk of Peace. The capital project fund includes funding for nonproprietary fund (non-sewer and water projects), such as the County Airport, Emergency Operations Center, Industrial Park, County Libraries, and County Administrative Buildings.

During Fiscal Year 2001, the County defeased all tax supported bonded debt. Since the County has not incurred any tax supported bonded debt since then, the County did not have a debt service fund during Fiscal 2004.

During Fiscal 2004, the County set aside an additional \$1,000,000 in an account to provide monies for pensioner benefits in the future. The County is anticipating an accounting rules change that will require changing the measurement of this liability in our financial report in the near future. During December 2004, an additional \$886,000 was added to this account, bringing total deposits for pensioner benefits to \$2,386,000.

During Fiscal 2004, the Sussex County Council adopted a revised Land Use Plan. The Council is now in the process of enacting ordinances, which reflect the new plan.

### Proprietary Funds

The County's Proprietary Funds provide the same type of information as in the Government-wide Financial Statements for business-type activities. Net assets, exclusive of amounts invested in capital costs, total \$44,083,258. Of this amount, \$8,115,999 is unrestricted. Restricted net assets include amounts for West Rehoboth Sewer Revenue Bond Debt Service, as well as amounts set aside for construction costs and connection fee revenue received. Connection fees received are restricted to be used for capital costs and debt service cost.

Please refer to the Government-wide Financial Statement information, regarding business-type activities, for additional discussion regarding Proprietary Funds.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **Revenue and Appropriation Budgets**

Total budgeted revenues, expenditures, and other financing uses are equal to the original approved budget for Fiscal 2004. During the year, the County Administrator approved some budget amendments for expenditures from department heads. The approved budget amendments include increases in certain line items for requested expenditures, which were offset by decreases in other departmental line items and/or the budget for contingencies. This resulted in individual line item budget changes, but no change in the total General Fund expenditure budget. Some of the largest transfers from budgeted contingencies to individual line items, as approved by the County Administrator during the year, were for Emergency Operation Center dispatch equipment (\$60,000), Library costs funded by State grant overage (\$42,046), and Recorder of Deeds operations (\$40,000).

### **Budget to Actual - Revenue**

General Fund revenues, and other financing sources, exceeded the budget by \$19,113,297. As previously noted, this is primarily due to the strong property market and strong building climate in Sussex County. Realty transfer tax revenue was \$17,399,572 over budget. Recorder of Deeds revenue was \$2,484,980 over budget. Building related fees, from building permits and zoning fees, building inspection fees, and private road fees, were also over budget by \$2,154,529. The State Paramedic Grant was \$604,002 over budget, primarily because the actual grant approved was at the 50 percent level versus the expected 40 percent. The State Library Grant overage of \$635,601 is attributable to a one-time construction grant for the Milton Library expansion project.

### **Budget to Actual - Expenditures**

Expenditures and other financing uses exceeded the budget by \$7,691,207 as noted on page 69. This is, primarily, a result of additional transfers out to the Capital Improvement Fund. These include transfers for landfill liability costs (\$928,215), Industrial Park and Airport fire protection (\$253,000), Airport T-Hangar expansion (\$193,615) and County park lot expansions (\$138,225). Also, an additional \$3.6 million was transferred to the Capital Improvement Fund, primarily for costs anticipated for a new County Emergency Operations Center and a new County office building. By transferring funds to the Capital Improvement Fund, the County will be better able to meet its nonsewer and water needs, without issuing debt. Without tax supported debt, the County will be saving interest expense costs in the future.

Expenditures for most departments were within budget amounts. Under grants, the Fire Enhancement Fee payments to fire companies exceeded the budget by \$430,691 due to a corresponding increase in revenue. Under Engineering - Public Works, Other Expenditures for FEMA grant-funded project costs totaled \$71,116, which were not budgeted from County monies. They were paid from grant revenues and property owner contributions. Group hospital costs, through the County's self-funded plan, exceeded the budget by approximately \$712,722, which reflects the group hospital cost national trend. The County's Building Code inspection cost, performed by an outside contractor, exceeded budget estimates by \$123,245 due to the major increase in building activity as reflected in the corresponding increase in revenue.



## Capital Asset and Debt Administration

### Capital Assets

As per the below chart, capital assets (net of depreciation) are valued at \$258,739,650 as of June 30, 2004. Note D, on pages 42 and 43, includes additional information.

### SUSSEX COUNTY'S CAPITAL ASSETS

As of June 30, 2004 and 2003

(net of depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
Land	\$ 4,463,890	\$ 4,337,775	\$ 39,120,037	\$ 4,796,431	\$ 43,583,927	\$ 9,134,206
Construction in Progress	2,208,730	1,467,078	13,201,315	13,592,462	15,410,045	15,059,540
Buildings	9,864,245	10,075,485	5,496,924	5,827,340	15,361,169	15,902,825
Improvements Other Than Buildings	3,065,299	2,112,563	6,223,145	6,505,977	9,288,444	8,618,540
Machinery and Equipment	2,443,217	2,936,630	1,524,228	2,124,370	3,967,445	5,061,000
Infrastructure	-	-	171,128,620	155,142,817	171,128,620	155,142,817
Total	\$ 22,045,381	\$ 20,929,531	\$ 236,694,269	\$ 187,989,397	\$ 258,739,650	\$ 208,918,928

The governmental activity assets reflect additions of \$1,033,622 for a major expansion of the Milton Library. There was \$795,000 spent on improvements at the County Airport near Georgetown. This includes \$92,000 for completion of an apron paving project, and \$126,000 for a land purchase for airport expansion. A parking lot expansion at the South Coastal Library was completed costing \$130,000. A \$90,000 emergency dispatch communication tower at Gumboro was completed which will improve emergency response in the southern part of the County. Approximately \$355,000 was spent on Paramedic assets including vehicles, computer equipment and communication equipment to improve operations.

Sewer fund asset additions also include over \$7,534,000 worth of sewer collection lines that were paid for by developers and donated to the County for new developments within County sewer districts. A sludge upgrade project at the South Coastal Regional Wastewater Facility, near Bethany Beach, was underway that will cost approximately \$3,659,000.

During Fiscal 2004, the following highlights the major capital sewer projects underway, which will expand the County's sewer system to serve more residents and better protect the environment.

- The \$8,900,000 Ellendale Sewer District went online during July 2003. This project will provide sewer service for approximately 545 customers.
- Customers began connecting to the Cedar Neck Sewer Project, west of Bethany Beach, during April 2004. The completed portion of this project cost over \$4,821,000.
- The County purchased 2,083 acres of land for \$28,669,250 during Fiscal 2004. This land will be needed to expand the Inland Bays Regional Wastewater Facility near Long Neck. This land will be used for spray irrigation for Long Neck, Angola, Oak Orchard, and West Rehoboth sewer customers.

- \$4,641,000 was spent to purchase land for the Piney Neck Treatment Plant expansion. This spray irrigation facility will accommodate growth in the Dagsboro and Frankford areas.
- \$327,000 was expended for the Oak Orchard Sanitary Sewer District. This project is beginning the construction phase to serve approximately 890 additional County residents.
- Engineering work for planning and design was also underway for the Bay View Estates, Sea Country Estates, Millville, and South Ocean View projects. These projects will also include new infrastructure to serve individuals who have previously been connected to septic systems.

### Long-term Debt

As of June 30, 2004, the County had \$149,289,555 in outstanding bonds payable. Of this amount, \$29,359,095 was backed by specific sewer district revenues. The remaining \$119,930,460 of debt is backed by the full faith and credit of the Sussex County Government. This debt was solely used to fund business-type water and sewer activities.

#### **SUSSEX COUNTY'S OUTSTANDING DEBT**

**As of June 30, 2004 and 2003**

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total Government	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ -	\$ -	\$ 119,930,460	\$ 100,088,975	\$ 119,930,460	\$ 100,088,975
Revenue Bonds	-	-	29,359,095	30,609,794	29,359,095	30,609,794
Total	\$ -	\$ -	\$ 149,289,555	\$ 130,698,769	\$ 149,289,555	\$ 130,698,769

During Fiscal 2003, Standard & Poor's raised its rating for Sussex County by two rating classifications. On December 5, 2002, Standard & Poor's upgraded the County's rating to AA from A+, "reflecting strong residential tax base growth and increasingly strong fund balances". Previously, on February 11, 2000, Moody's Investors Service had raised its rating for Sussex County from A1 to Aa3. Per Standard & Poor's, "the upgrade also reflects a modest, but diverse, local economy". They also noted, "consistently strong financial performance and management continuity; and low debt levels due to self-supporting utilities and a very manageable capital improvement plan".

During Fiscal 2004, the County issued \$10,000,000 of debt to the State of Delaware to partially fund land purchases for the Inland Bays Regional Wastewater Facilities Expansion Project at 1.50 percent for 20 years. Also, a loan for \$6,910,700 was closed with the United States Department of Agriculture for the Cedar Neck Sewer Project. This loan is for 40 years at 4.375 percent. A \$1 million loan from the State of Delaware for the Ellendale Sewer District was also received at 0 percent for 40 years. A United States Department of Agriculture loan for \$1,965,000 for improvements at the South Coastal Regional Wastewater Facility was also received. This loan is for 40 years at 4.25 percent.

State of Delaware statutes limit the amount of general obligation debt that Sussex County can issue to 12 percent of its total assessed valuation. As of June 30, 2004, there was \$146,461,328 remaining as available general obligation debt margin (see page 95).

Additional information is included in note "H" on pages 47 thru 51 of the report.

## **Economic Factors in Next Year's Budgets and Rates**

### **Economic Factors**

- The County's economy is strong as evidenced by a 3.3 percent unemployment rate as of June 2004. This compares to 3.8 percent for the State of Delaware and 5.6 percent for the United States.
- The real estate and construction industries are strong. Per the U. S. Census Bureau for calendar 2004, as of October 31, 2004, the value of new construction exceeded that for the other 2 Delaware counties - Kent and New Castle. Approximately 50.3 percent of new construction value is occurring in Sussex County for the State of Delaware per the U. S. Census Bureau. Per the U.S. Census Bureau, the value of new construction in Sussex County exceeds that for the individual states of Rhode Island, North Dakota, and Montana, as well as the District of Columbia.
- Agriculture is a major industry in Sussex County. Sussex County ranks first among all United States counties in broiler chicken production per the U. S. Department of Commerce. Four major poultry companies have facilities, or growers, in Sussex County. Corn, soybeans, and other vegetables are also grown in the County.
- Retail sales is a growing industry in Sussex County with major outlet shopping located on the East Coast corridor. These outlets attract customers from other counties and states. Per a 1997 study by the U. S. Census Bureau, retail sales per capita in Sussex County exceeds that for New Castle and Kent County, Delaware.

### **Fiscal 2005 Budget and Rates**

The Fiscal 2005 General Fund Budget increased by 33 percent, reflecting growth in the County and corresponding increase in infrastructure expenditures. The budget includes \$9.6 million in funding for County sewer and water capital costs, compared to \$3 million during Fiscal 2004. It also includes \$1,533,166 for open space easement and land purchases, up from \$625,499 for the previous fiscal year. An additional \$400,000 in grants to volunteer fire companies for the Basic Life Support Ambulance operations is included. Paramedic Department spending increased 19 percent, reflecting the hiring of four additional paramedics and an increasing number of emergency calls. Grants to local libraries also increased by \$254,891, a 17 percent increase.

The capital budget program includes \$19,884,000 in estimated costs for sewer project expansions and upgrades. This includes \$9.1 million for the Oak Orchard Sewer District construction, \$2.7 million for expansion and upgrades of the Holts Landing Sewer District, and \$2.4 million to complete the new Cedar Neck Sewer Project. Estimated funding for County Airport improvements totals \$7.9 million, including funding to rehabilitate and extend an existing runway and install an airport perimeter fence. The Fiscal 2005 Five Year Capital Plan includes \$134 million for sewer expansion and upgrade costs. This aggressive schedule for sewer expansion projects will provide major environmental benefits to the County.

The County tax rate for Fiscal 2005 remained at 44-1/2 cents for the 15<sup>th</sup> straight year. There were no sewer and water operational charge rate increases during Fiscal 2005. The Fiscal 2005 Budget does include a one-time 25 percent property tax credit for current taxpayers. The Budget also includes a new grant to cap County sewer and water residential bills at 125 front feet for sewer and water charges. The Cedar Neck Sewer Project became operational during Fiscal 2004 and 2005, with rates at or below earlier projections due to lower costs.

The new budget does include increases in sewer system connection charges. These charges are designed to recover costs needed for new expansion from new users. They are one-time charges for new sewer customers.

**Requests for Information**

This Financial Report is designed to provide an overview of Sussex County's finances and provide a meaningful picture of our County. This report is available on the County's website at [www.sussexcountyde.gov](http://www.sussexcountyde.gov). Any questions concerning this report, or requests for additional information, should be addressed to:

Mr. David B. Baker  
Finance Director  
Sussex County Council  
2 The Circle  
P.O. Box 589  
Georgetown, DE 19947  
Telephone: (302) 855-7741

## **BASIC FINANCIAL STATEMENTS**

**SUSSEX COUNTY, DELAWARE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 28,768,701	\$ 12,362,395	\$ 41,131,096
Investments	1,712,790	-	1,712,790
Receivables, net of allowance for doubtful accounts:			
Taxes	661,765	-	661,765
Service charges	-	848,327	848,327
Assessment, impact, connection, and expansion	265,154	731,958	997,112
Accrued interest	20,208	62,805	83,013
Miscellaneous	75,106	169,210	244,316
Due from other governmental agencies	1,652,557	2,645,600	4,298,157
Unbilled taxes	10,083,812	-	10,083,812
Internal balances	18,057,044	(18,057,044)	-
Inventory	24,459	14,017	38,476
Prepaid items	387,638	-	387,638
Net pension asset	3,356,974	839,244	4,196,218
Restricted assets:			
Cash and cash equivalents	33,485,877	35,937,383	69,423,260
Investments	-	1,873,008	1,873,008
Mortgage receivable	400,000	-	400,000
Bond issue cost, net of amortization	-	1,082,781	1,082,781
Capital assets:			
Land, improvements, and construction in progress	6,672,620	52,321,352	58,993,972
Other capital assets, net of depreciation	15,372,761	184,372,917	199,745,678
<b>TOTAL ASSETS</b>	<b>120,997,466</b>	<b>275,203,953</b>	<b>396,201,419</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	2,360,120	2,618,761	4,978,881
Accrued interest payable	-	696,810	696,810
Employee health claims payable	539,124	-	539,124
Unearned revenue:			
Taxes	10,083,812	-	10,083,812
Other	155,376	-	155,376
Deposits	6,211,892	5,177	6,217,069
Notes payable	-	881,024	881,024
Long-term liabilities:			
Due within one year	1,538,431	5,731,715	7,270,146
Due in more than one year	6,470,138	142,007,726	148,477,864
<b>TOTAL LIABILITIES</b>	<b>27,358,893</b>	<b>151,941,213</b>	<b>179,300,106</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,778,122	79,179,482	100,957,604
Restricted for:			
Realty transfer tax	24,726,518	-	24,726,518
911 Reporting	1,967,452	-	1,967,452
Grant funds	57,748	-	57,748
Construction and debt service	-	21,318,894	21,318,894
Revenue bond debt service	-	14,648,365	14,648,365
Unrestricted	45,108,733	8,115,999	53,224,732
<b>TOTAL NET ASSETS</b>	<b>\$ 93,638,573</b>	<b>\$ 123,262,740</b>	<b>\$ 216,901,313</b>

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

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Function/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 9,622,999	\$ 2,199,845	\$ 106,984	\$ (7,316,170)	\$ -	\$ (7,316,170)
Grant-in-aid programs	6,892,065	-	-	(6,892,065)	-	(6,892,065)
Planning and zoning	1,012,053	2,024,755	-	1,012,702	-	1,012,702
Paramedic program	6,840,784	-	3,584,580	(3,256,204)	-	(3,256,204)
Emergency preparedness	1,889,708	29,543	834,071	(1,026,094)	-	(1,026,094)
Economic development and public works	428,025	85,527	-	(342,498)	-	(342,498)
County engineer	1,079,543	1,535,980	51,888	508,325	-	508,325
Airport	532,414	137,766	70,272	(20,804)	-	(20,804)
Engineering - solid waste	33,544	13,465	-	(20,079)	-	(20,079)
Library	2,729,492	33,664	799,601	(1,881,642)	-	(1,881,642)
Community development and housing programs	1,488,969	-	1,343,374	(145,595)	-	(145,595)
Constitutional offices	1,985,946	7,049,799	-	5,063,853	-	5,063,853
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>34,535,542</b>	<b>13,110,344</b>	<b>6,790,770</b>	<b>(14,316,271)</b>	<b>-</b>	<b>(14,316,271)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Sewer facilities	18,676,091	10,548,270	15,758,724	-	22,715,921	22,715,921
Water facilities	747,923	583,897	274,617	-	139,494	139,494
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>19,424,014</b>	<b>11,132,167</b>	<b>16,033,341</b>	<b>-</b>	<b>22,855,415</b>	<b>22,855,415</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$53,959,556</b>	<b>\$ 24,242,511</b>	<b>\$ 22,824,111</b>	<b>(14,316,271)</b>	<b>22,855,415</b>	<b>8,539,144</b>
<b>GENERAL REVENUES</b>						
Taxes: Property				9,568,521	-	9,568,521
Capitation				237,282	-	237,282
Fire service				1,510,691	-	1,510,691
Realty transfer				27,399,572	-	27,399,572
Unrestricted investment earnings				892,938	198,309	1,091,247
<b>TRANSFERS</b>				<b>(2,925,040)</b>	<b>2,925,040</b>	<b>-</b>
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>36,683,964</b>	<b>3,123,349</b>	<b>39,807,313</b>
<b>CHANGE IN NET ASSETS</b>				<b>22,367,693</b>	<b>25,978,764</b>	<b>48,346,457</b>
<b>NET ASSETS - BEGINNING</b>				<b>71,270,880</b>	<b>97,283,976</b>	<b>168,554,856</b>
<b>NET ASSETS - ENDING</b>				<b>\$ 93,638,573</b>	<b>\$ 123,262,740</b>	<b>\$ 216,901,313</b>

The accompanying notes are an integral part of these financial statements.

**SUSSEX COUNTY, DELAWARE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

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	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,323,699	\$ 5,445,002	\$ 28,768,701
Investments	1,712,790	-	1,712,790
Receivables, net of allowance for doubtful accounts:			
Taxes	661,765	-	661,765
Assessment, impact, connection, and expansion	265,154	-	265,154
Miscellaneous	95,314	-	95,314
Due from other governmental agencies	1,507,588	144,969	1,652,557
Unbilled taxes	10,083,812	-	10,083,812
Due from other funds	18,126,218	32,966	18,159,184
Inventory	24,459	-	24,459
Prepaid items	387,638	-	387,638
Restricted assets:			
Cash and cash equivalents	24,331,547	9,154,330	33,485,877
<b>TOTAL ASSETS</b>	<b>\$ 80,519,984</b>	<b>\$ 14,777,267</b>	<b>\$ 95,297,251</b>
<b>LIABILITIES</b>			
Accounts payable and other accrued expenditures	\$ 3,490,057	\$ 317,177	\$ 3,807,234
Due to other funds	100,815	1,325	102,140
Employee health claims payable	539,124	-	539,124
Deferred revenue:			
Taxes	10,675,916	-	10,675,916
Other	1,136,747	57,228	1,193,975
Deposits	6,211,892	-	6,211,892
<b>TOTAL LIABILITIES</b>	<b>22,154,551</b>	<b>375,730</b>	<b>22,530,281</b>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	731,660	649,169	1,380,829
Inventories and prepaid items	412,097	-	412,097
Non-current assets	17,927,392	-	17,927,392
911 funds	1,967,452	-	1,967,452
Realty transfer tax	15,572,188	9,154,330	24,726,518
Unreserved:			
Designated for subsequent years' expenditures	11,585,639	4,541,774	16,127,413
Undesignated	10,169,005	56,264	10,225,269
<b>TOTAL FUND BALANCES</b>	<b>58,365,433</b>	<b>14,401,537</b>	<b>72,766,970</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 80,519,984</b>	<b>\$ 14,777,267</b>	

**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	22,045,381
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	3,756,974
Long-term liabilities, including deferred revenue, are not due and payable in the current period and therefore are not reported in the funds	(4,930,752)
<b>Net Assets of Governmental Activities</b>	<b>\$ 93,638,573</b>

The accompanying notes are an integral part of these financial statements.



## SUSSEX COUNTY, DELAWARE

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 38,720,829	\$ -	\$ 38,720,829
Intergovernmental	6,002,230	239,271	6,241,501
Charges for services	13,556,533	-	13,556,533
Fines and forfeits	19,103	-	19,103
Miscellaneous	1,131,569	87,665	1,219,234
<b>TOTAL REVENUES</b>	<b>59,430,264</b>	<b>326,936</b>	<b>59,757,200</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General Government:			
General administration	697,459	-	697,459
Finance	4,589,215	-	4,589,215
Personnel	2,416,890	-	2,416,890
Buildings and grounds	1,444,302	-	1,444,302
Data processing	724,473	-	724,473
County constable	199,585	-	199,585
Grant-in-aid programs	6,892,065	-	6,892,065
Planning and zoning	991,821	-	991,821
Paramedic program	6,884,569	-	6,884,569
Emergency preparedness	1,728,428	-	1,728,428
Economic development and public works	391,173	-	391,173
County engineer	1,074,001	-	1,074,001
Airport	252,589	-	252,589
Engineering - solid waste	103,837	-	103,837
Library	2,725,758	-	2,725,758
Community development and housing programs	1,488,969	-	1,488,969
Constitutional offices	1,994,038	-	1,994,038
<b>Capital projects</b>	-	1,982,196	1,982,196
<b>TOTAL EXPENDITURES</b>	<b>34,599,172</b>	<b>1,982,196</b>	<b>36,581,368</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>24,831,092</b>	<b>(1,655,260)</b>	<b>23,175,832</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from capitalized leases	43,550	-	43,550
Transfers in	-	10,527,512	10,527,512
Transfers out	(13,452,552)	-	(13,452,552)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(13,409,002)</b>	<b>10,527,512</b>	<b>(2,881,490)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,422,090</b>	<b>8,872,252</b>	<b>20,294,342</b>
<b>FUND BALANCES - BEGINNING</b>	<b>46,943,343</b>	<b>5,529,285</b>	<b>52,472,628</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 58,365,433</b>	<b>\$ 14,401,537</b>	<b>\$ 72,766,970</b>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 20,294,342</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$ 2,592,354) exceeded depreciation (\$ 1,429,559) in the current period.		1,162,795
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and contributions) is to increase (decrease) net assets.		(46,945)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, as follows:		
Property taxes	\$ (18,965)	
Grants	<u>136,985</u>	118,020
Capitalized lease proceeds are recognized as financing sources in governmental funds, but are not revenue in the government-wide statement of activities, net of principal payments on capitalized leases.		57,315
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is as follows:		
Compensated absences	(285,606)	
Net pension obligation	995,772	
Postclosure landfill care costs	<u>72,000</u>	<u>782,166</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 22,367,693</u></b>

## SUSSEX COUNTY, DELAWARE

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 19,859,676	\$ 19,859,676	\$ 38,720,829	\$ 18,861,153
Intergovernmental	4,654,485	4,654,485	6,002,230	1,347,745
Charges for services	8,752,885	8,752,885	13,556,533	4,803,648
Fines and forfeits	15,500	15,500	19,103	3,603
Miscellaneous	822,982	822,982	1,131,569	308,587
<b>TOTAL REVENUES</b>	<b>34,105,528</b>	<b>34,105,528</b>	<b>59,430,264</b>	<b>25,324,736</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government:				
General administration	728,578	743,881	697,459	46,422
Finance	4,409,630	4,462,673	4,589,215	(126,542)
Personnel	2,422,241	2,426,007	2,416,890	9,117
Buildings and grounds	1,515,499	1,574,610	1,444,302	130,308
Data processing	748,745	753,900	724,473	29,427
County constable	162,029	204,329	199,585	4,744
Grant-in-aid programs	5,347,140	5,347,640	6,892,065	(1,544,425)
Planning and zoning	921,224	958,024	991,821	(33,797)
Paramedic program	7,250,079	7,263,438	6,884,569	378,869
Emergency preparedness	1,635,891	1,761,966	1,728,428	33,538
Economic development and public works	379,715	440,890	391,173	49,717
County engineer	1,252,064	1,272,016	1,074,001	198,015
Airport	162,855	166,355	252,589	(86,234)
Engineering - solid waste	143,400	143,400	103,837	39,563
Library	2,636,343	2,755,925	2,725,758	30,167
Community development and housing programs	1,591,683	1,591,683	1,488,969	102,714
Constitutional offices	1,898,030	2,006,345	1,994,038	12,307
<b>TOTAL EXPENDITURES</b>	<b>33,205,146</b>	<b>33,873,082</b>	<b>34,599,172</b>	<b>(726,090)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>900,382</b>	<b>232,446</b>	<b>24,831,092</b>	<b>24,598,646</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capitalized leases	-	-	43,550	43,550
Transfers out	-	-	(13,452,552)	(13,452,552)
Prior year surplus	6,254,989	6,254,989	-	(6,254,989)
Appropriated reserves	(6,254,989)	(6,254,989)	-	6,254,989
Reserved for contingencies	(900,382)	(232,446)	-	232,446
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(900,382)</b>	<b>(232,446)</b>	<b>(13,409,002)</b>	<b>(13,176,556)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>11,422,090</b>	<b>11,422,090</b>
<b>FUND BALANCE - BEGINNING</b>	<b>46,943,343</b>	<b>46,943,343</b>	<b>46,943,343</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 46,943,343</b>	<b>\$ 46,943,343</b>	<b>\$ 58,365,433</b>	<b>\$ 11,422,090</b>

The accompanying notes are an integral part of these financial statements.

**SUSSEX COUNTY, DELAWARE**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2004**

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ASSETS	Business-type Activities - Enterprise Funds			
	Bethany Sewer	Long Neck Sewer	West Rehoboth Sewer	Treatment Plant - SCRWF
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,392,260	\$ 3,181,834	\$ 962,185	\$ 866,032
Receivables, net of allowance for doubtful accounts:				
Service charges	10,364	16,452	136,853	89,398
Assessment, impact, connection, and expansion	17,075	18,755	211,029	-
Accrued interest	5,131	7,358	23,899	15,582
Miscellaneous	3,034	8,520	107,670	12,748
Due from other governmental agencies	2,006,592	-	60	63,872
Due from other funds	321	552	4,517	3,091,435
Inventory	-	-	-	3,624
<b>TOTAL CURRENT ASSETS</b>	<b>4,434,777</b>	<b>3,233,471</b>	<b>1,446,213</b>	<b>4,142,691</b>
<b>NONCURRENT ASSETS</b>				
Restricted assets:				
Cash and cash equivalents	2,680,355	1,901,987	16,815,641	8,954,776
Investments	-	-	1,873,008	-
Bond issue cost, net of amortization	82,014	229,328	587,439	110,984
Net pension asset	49,515	143,511	202,258	275,272
Noncurrent accounts receivable:				
Service charges	6,109	10,492	162,916	50,779
Assessment, impact, connection, and expansion	8,456	19,829	398,795	-
Capital assets:				
Land, improvements, and construction in progress	6,211,371	297,167	3,394,270	5,358,685
Other capital assets, net of depreciation	26,404,345	19,330,253	81,107,449	19,779,019
<b>TOTAL NONCURRENT ASSETS</b>	<b>35,442,165</b>	<b>21,932,567</b>	<b>104,541,776</b>	<b>34,529,515</b>
<b>TOTAL ASSETS</b>	<b>39,876,942</b>	<b>25,166,038</b>	<b>105,987,989</b>	<b>38,672,206</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other current liabilities	1,189,295	16,707	78,653	1,015,598
Accrued interest payable	166,288	162,469	111,936	131,196
Due to other funds	756,002	489,321	803,711	4,243,247
Deposits	2,422	-	-	-
Notes payable	34,967	-	-	430,159
Current portion of long-term liabilities	741,721	890,979	2,359,743	809,208
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,890,695</b>	<b>1,559,476</b>	<b>3,354,043</b>	<b>6,629,408</b>
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<b>19,671,316</b>	<b>16,222,010</b>	<b>71,621,801</b>	<b>12,992,881</b>
<b>TOTAL LIABILITIES</b>	<b>22,562,011</b>	<b>17,781,486</b>	<b>74,975,844</b>	<b>19,622,289</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,155,603	2,657,963	10,723,212	8,324,530
Restricted for:				
Construction and debt service	1,855,790	1,901,888	3,992,820	8,121,077
Revenue bond debt service	-	-	14,648,365	-
Unrestricted	3,303,538	2,824,701	1,647,748	2,604,310
<b>TOTAL NET ASSETS</b>	<b>\$ 17,314,931</b>	<b>\$ 7,384,552</b>	<b>\$ 31,012,145</b>	<b>\$ 19,049,917</b>

(continued)

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - CONTINUED  
JUNE 30, 2004

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	Business-type Activities - Enterprise Funds		
	Treatment Plant - IBRWF	Nonmajor Funds	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 4,960,084	\$ 12,362,395
Receivables, net of allowance for doubtful accounts:			
Service charges	-	122,406	375,473
Assessment, impact, connection, and expansion	-	39,123	285,982
Accrued interest	-	10,835	62,805
Miscellaneous	-	37,238	169,210
Due from other governmental agencies	-	575,076	2,645,600
Due from other funds	-	3,174	3,099,999
Inventory	-	10,393	14,017
<b>TOTAL CURRENT ASSETS</b>	-	5,758,329	19,015,481
<b>NONCURRENT ASSETS</b>			
Restricted assets:			
Cash and cash equivalents	27,537	5,557,087	35,937,383
Investments	-	-	1,873,008
Bond issue cost, net of amortization	6,225	66,791	1,082,781
Net pension asset	-	168,688	839,244
Noncurrent accounts receivable:			
Service charges	-	242,558	472,854
Assessment, impact, connection, and expansion	-	18,896	445,976
Capital assets:			
Land, improvements, and construction in progress	28,669,250	8,390,609	52,321,352
Other capital assets, net of depreciation	-	37,751,851	184,372,917
<b>TOTAL NONCURRENT ASSETS</b>	28,703,012	52,196,480	277,345,515
<b>TOTAL ASSETS</b>	28,703,012	57,954,809	296,360,996
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other current liabilities	-	318,508	2,618,761
Accrued interest payable	-	124,921	696,810
Due to other funds	8,760,915	6,103,847	21,157,043
Deposits	-	2,755	5,177
Notes payable	-	415,898	881,024
Current portion of long-term liabilities	-	930,064	5,731,715
<b>TOTAL CURRENT LIABILITIES</b>	8,760,915	7,895,993	31,090,530
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	10,000,000	11,499,718	142,007,726
<b>TOTAL LIABILITIES</b>	18,760,915	19,395,711	173,098,256
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,908,335	30,409,839	79,179,482
Restricted for:			
Construction and debt service	27,537	5,419,782	21,318,894
Revenue bond debt service	-	-	14,648,365
Unrestricted	(4,993,775)	2,729,477	8,115,999
<b>TOTAL NET ASSETS</b>	\$ 9,942,097	\$ 38,559,098	\$ 123,262,740

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Business-type Activities - Enterprise Funds			
	Bethany Sewer	Long Neck Sewer	West Rehoboth Sewer	Treatment Plant - SCRWF
<b>OPERATING REVENUES</b>				
Charges for services	\$ 273,499	\$ 795,312	\$ 2,527,740	\$ 2,761,223
Other operating revenue	199,079	915,368	406,819	288,792
<b>TOTAL OPERATING REVENUES</b>	<b>472,578</b>	<b>1,710,680</b>	<b>2,934,559</b>	<b>3,050,015</b>
<b>OPERATING EXPENSES</b>				
Amortization	11,797	18,873	27,281	11,670
Contractual services	25,127	145,587	280,169	357,498
Depreciation	535,762	939,685	2,032,635	1,365,548
Employee benefits	91,211	212,997	307,229	404,459
Equipment and tools	12,899	9,867	49,101	61,665
Maintenance and repairs	13,375	30,775	66,334	215,753
Miscellaneous	-	5,553	83,503	26,887
Process chemicals	-	11,703	17,761	37,890
Professional services	616	8,008	44,577	3,286
Salaries	172,179	485,687	685,512	946,927
Shared costs - operating	69,871	77,696	106,859	-
Supplies	129	20,953	47,551	67,192
Training and travel	11	37,231	89,431	125,244
Wastewater treatment	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>932,977</b>	<b>2,004,615</b>	<b>3,837,943</b>	<b>3,624,019</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(460,399)</b>	<b>(293,935)</b>	<b>(903,384)</b>	<b>(574,004)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	55,709	60,802	109,162	106,041
Disposition of assets	(1,469)	(17,000)	-	(161,920)
Assessment and connection fees	1,660,653	2,215,229	7,817,470	2,307,125
Miscellaneous	-	7,500	-	113,020
Interest expense	(250,854)	(954,309)	(3,106,835)	(435,720)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>1,464,039</b>	<b>1,312,222</b>	<b>4,819,797</b>	<b>1,928,546</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>1,003,640</b>	<b>1,018,287</b>	<b>3,916,413</b>	<b>1,354,542</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>3,559,491</b>	<b>1,026,376</b>	<b>3,884,131</b>	<b>69,577</b>
<b>TRANSFERS IN</b>	<b>510,040</b>	<b>275,000</b>	<b>325,000</b>	<b>613,200</b>
<b>TRANSFERS OUT</b>	<b>(40,200)</b>	<b>(1,159,607)</b>	<b>(5,507,490)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,032,971</b>	<b>1,160,056</b>	<b>2,618,054</b>	<b>2,037,319</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>12,281,960</b>	<b>6,224,496</b>	<b>28,394,091</b>	<b>17,012,598</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 17,314,931</b>	<b>\$ 7,384,552</b>	<b>\$ 31,012,145</b>	<b>\$ 19,049,917</b>

(continued)

SUSSEX COUNTY, DELAWARE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Business-type Activities - Enterprise Funds		
	Treatment Plant - IBRWF	Nonmajor Funds	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 2,285,966	\$ 8,643,740
Other operating revenue	-	715,320	2,525,378
<b>TOTAL OPERATING REVENUES</b>	-	3,001,286	11,169,118
<b>OPERATING EXPENSES</b>			
Amortization	-	18,547	88,168
Contractual services	-	484,021	1,292,402
Depreciation	-	1,424,561	6,298,191
Employee benefits	-	246,862	1,262,758
Equipment and tools	-	44,611	178,143
Maintenance and repairs	-	118,590	444,827
Miscellaneous	-	13,751	129,694
Process chemicals	-	4,531	71,885
Professional services	-	11,502	67,989
Salaries	-	618,799	2,909,104
Shared costs - operating	-	233,598	488,024
Supplies	-	33,621	169,446
Training and travel	-	62,304	314,221
Wastewater treatment	-	649,159	649,159
<b>TOTAL OPERATING EXPENSES</b>	-	3,964,457	14,364,011
<b>OPERATING INCOME (LOSS)</b>	-	(963,171)	(3,194,893)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	-	149,634	481,348
Disposition of assets	-	(14,862)	(195,251)
Assessment and connection fees	-	1,749,825	15,750,302
Miscellaneous	-	37,780	158,300
Interest expense	-	(312,285)	(5,060,003)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	-	1,610,092	11,134,696
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	-	646,921	7,939,803
<b>CAPITAL CONTRIBUTIONS</b>	3,000,000	3,574,346	15,113,921
<b>TRANSFERS IN</b>	6,942,097	967,000	9,632,337
<b>TRANSFERS OUT</b>	-	-	(6,707,297)
<b>CHANGE IN NET ASSETS</b>	9,942,097	5,188,267	25,978,764
<b>TOTAL NET ASSETS - BEGINNING</b>	-	33,370,831	97,283,976
<b>TOTAL NET ASSETS - ENDING</b>	\$ 9,942,097	\$ 38,559,098	\$ 123,262,740

The accompanying notes are an integral part of these financial statements.

**SUSSEX COUNTY, DELAWARE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Bethany Sewer</b>	<b>Long Neck Sewer</b>	<b>West Rehoboth Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 276,435	\$ 777,245	\$ 2,438,493
Payments to suppliers	(122,028)	(394,267)	(796,549)
Payments to employees	(278,405)	(733,785)	(1,042,789)
Other receipts	192,119	922,868	399,211
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>68,121</b>	<b>572,061</b>	<b>998,366</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances from (to) other funds, net	(532,179)	(13,816)	(25,989)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(7,081,227)	(214,523)	(89,618)
Net payments on line of credit	(8,000)	-	-
Retirement of bonds and related costs	(698,096)	(880,408)	(2,202,664)
Bond proceeds	6,922,541	-	-
Assessment and connection fees	1,667,514	2,223,605	7,753,522
Capital contributions	119,755	-	11,790
Interest paid	(314,501)	(789,549)	(3,030,293)
Payments for bond issue costs	(4,317)	-	-
Transfers from other funds for capital activities	510,040	275,000	325,000
Transfers to other funds for capital activities	(40,200)	(1,159,607)	(5,507,490)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>1,073,509</b>	<b>(545,482)</b>	<b>(2,739,753)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	51,560	55,465	309,440
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>661,011</b>	<b>68,228</b>	<b>(1,457,936)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>4,411,604</b>	<b>5,015,593</b>	<b>19,235,762</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 5,072,615</b>	<b>\$ 5,083,821</b>	<b>\$ 17,777,826</b>
Cash and cash equivalents	\$ 2,392,260	\$ 3,181,834	\$ 962,185
Restricted cash and cash equivalents	2,680,355	1,901,987	16,815,641
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 5,072,615</b>	<b>\$ 5,083,821</b>	<b>\$ 17,777,826</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (460,399)	\$ (293,935)	\$ (903,384)
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation and amortization	547,559	958,558	2,059,916
Miscellaneous income	-	7,500	-
Changes in assets and liabilities:			
Accounts receivable	2,936	(18,067)	(89,247)
Due from other governmental agencies	-	2,799	-
Inventory	-	-	-
Net pension asset	(9,305)	(49,687)	(66,562)
Compensated absences	(5,710)	14,586	16,514
Accounts payable	-	(49,693)	(11,263)
Deposits	(6,960)	-	(7,608)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 68,121</b>	<b>\$ 572,061</b>	<b>\$ 998,366</b>
<b>NONCASH TRANSACTIONS</b>			
Contributed property	\$ 1,440,979	\$ 1,026,376	\$ 3,876,081
Net depreciation in fair value of investments	-	-	(198,855)

(continued)

The accompanying notes are an integral part of these financial statements.



**SUSSEX COUNTY, DELAWARE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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	<b>Business-type Activities Enterprise Funds</b>	
	<b>Treatment Plant - SCRWF</b>	<b>Treatment Plant - IBRWF</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,764,532	\$ -
Payments to suppliers	(306,505)	-
Payments to employees	(1,419,049)	-
Other receipts	401,812	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,440,790</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances from (to) other funds, net	2,506,678	8,760,915
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(3,947,234)	(28,669,250)
Net payments on line of credit	(114,000)	-
Retirement of bonds and related costs	(712,942)	-
Bond proceeds	1,968,752	10,000,000
Assessment and connection fees	2,307,125	-
Capital contributions	10,552	3,000,000
Interest paid	(435,158)	-
Payments for bond issue costs	(2,354)	(6,225)
Transfers from other funds for capital activities	613,200	6,942,097
Transfers to other funds for capital activities	-	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(312,059)</b>	<b>(8,733,378)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	94,331	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>3,729,740</b>	<b>27,537</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>6,091,068</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 9,820,808</b>	<b>\$ 27,537</b>
Cash and cash equivalents	\$ 866,032	\$ -
Restricted cash and cash equivalents	8,954,776	27,537
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 9,820,808</b>	<b>\$ 27,537</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (574,004)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided:		
Depreciation and amortization	1,377,218	-
Miscellaneous income	113,020	-
Changes in assets and liabilities:		
Accounts receivable	3,309	-
Due from other governmental agencies	3,250	-
Inventory	-	-
Net pension asset	(92,442)	-
Compensated absences	24,779	-
Accounts payable	585,660	-
Deposits	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 1,440,790</b>	<b>\$ -</b>
<b>NONCASH TRANSACTIONS</b>		
Contributed property	\$ -	\$ -
Net depreciation in fair value of investment	-	-

(continued)

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Business-type Activities Enterprise Funds	
	Nonmajor Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,325,284	\$ 8,581,989
Payments to suppliers	(1,686,462)	(3,305,811)
Payments to employees	(902,993)	(4,377,021)
Other receipts	745,015	2,661,025
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>480,844</b>	<b>3,560,182</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances from (to) other funds, net	(115,647)	10,579,962
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(8,067,423)	(48,069,275)
Net payments on line of credit	(128,000)	(250,000)
Retirement of bonds and related costs	(943,810)	(5,437,920)
Bond proceeds	5,137,413	24,028,706
Assessment and connection fees	1,747,808	15,699,574
Capital contributions	2,342,603	5,484,700
Interest paid	(308,783)	(4,878,284)
Payments for bond issue costs	(8,945)	(21,841)
Transfers from other funds for capital activities	967,000	9,632,337
Transfers to other funds for capital activities	-	(6,707,297)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>737,863</b>	<b>(10,519,300)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	141,405	652,201
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,244,465</b>	<b>4,273,045</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>9,272,706</b>	<b>44,026,733</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 10,517,171</b>	<b>\$ 48,299,778</b>
Cash and cash equivalents	\$ 4,960,084	\$ 12,362,395
Restricted cash and cash equivalents	5,557,087	35,937,383
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 10,517,171</b>	<b>\$ 48,299,778</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (963,171)	\$ (3,194,893)
Adjustments to reconcile operating income (loss) to net cash provided:		
Depreciation and amortization	1,443,108	6,386,359
Miscellaneous income	37,780	158,300
Changes in assets and liabilities:		
Accounts receivable	39,318	(61,751)
Due from other governmental agencies	(12,882)	(6,833)
Inventory	(118)	(118)
Net pension asset	(67,386)	(285,382)
Compensated absences	30,054	80,223
Accounts payable	(17,774)	506,930
Deposits	(8,085)	(22,653)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 480,844</b>	<b>\$ 3,560,182</b>
<b>NONCASH TRANSACTIONS</b>		
Contributed property	\$ 1,219,529	\$ 7,562,965
Net depreciation in fair value of investment	-	(198,855)

The accompanying notes are an integral part of these financial statements.

**SUSSEX COUNTY, DELAWARE**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND**  
**JUNE 30, 2004**

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	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Investments	\$ 24,275,056
Accrued interest	<u>15,577</u>
<b>TOTAL ASSETS</b>	<u>24,290,633</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 24,290,633</u></u>

The accompanying notes are an integral part of these financial statements.

SUSSEX COUNTY, DELAWARE  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2004

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	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 2,670,566
Investment:	
Investment income	<u>2,665,229</u>
<b>TOTAL ADDITIONS</b>	5,335,795
<b>DEDUCTIONS</b>	
Beneficiary payments	<u>818,369</u>
<b>NET INCREASE IN PLAN NET ASSETS</b>	4,517,426
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING</b>	<u>19,773,207</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - ENDING</b>	<u><u>\$ 24,290,633</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sussex County, Delaware (the County) was founded in 1683. Local government is provided by a five member elected County Council. The County principally provides general administrative services; emergency preparedness services; airport services; paramedics; Constitutional Row Offices; zoning; libraries; housing and economic development programs; and sewer and water services.

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

### 1. Reporting Entity

The accompanying financial statements include various agencies, departments, and offices that are legally controlled by or dependent on the County Council (the primary government). As defined by GASBS No. 14, the County's financial reporting entity is required to consist of all organizations for which the County is financially accountable or for which there is a significant relationship. The County has no component units in its reporting entity. The following do not meet the established criteria for inclusion in the reporting entity and, therefore, are excluded from this report: the towns, school districts and independent libraries within Sussex County.

### 2. Basic Financial Statements - Government-wide Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's governmental activities consist of: general government; grant-in-aid programs; planning and zoning; paramedic program; emergency preparedness; economic development and public works; county engineer; airport; engineering - solid waste; library; community development and housing programs; and constitutional offices. The County's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**2. Basic Financial Statements - Government-wide Statements - Continued**

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific function.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The County does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, engineering, data processing, etc.).

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

**3. Basic Financial Statements - Fund Financial Statements**

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the County:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

**General fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital projects fund** is maintained to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). Capital projects expenditures in 2004 were mainly for airport and library projects. At June 30, 2004, the major projects being planned include a new \$ 4.5 million Emergency Operations Center, \$ 2 million for a new County office building primarily needed for the Engineering Department, \$ 1.5 million building at the County Industrial Park, \$ 1.3 million Airport clear zone land purchases, and \$ 1.2 million fire protection water system at the County Industrial Park and Airport.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Basic Financial Statements - Fund Financial Statements - Continued**

**Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the proprietary funds of the County:

**Enterprise funds** are used to account for the provision of water and sewer services to customers in the County's Water and Sewer Districts. For presentation purposes, the major funds of Bethany Sewer Fund, Long Neck Sewer Fund, Treatment Plant - SCRWF, Treatment Plant - IBRWF and West Rehoboth Sewer Fund have been presented as separate funds. However, West Rehoboth is actually an extension of the Dewey Sewer District. Activities of the enterprise funds include administration, operations and maintenance of the water and sewer system, and billing and collection activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for providing services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

**Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is on net assets and changes in net assets, reported using accounting principles similar to proprietary funds. The Pension Trust Fund is used to account for the assets of the Sussex County Employee Pension Plan, which is part of the County's legal entity. It is a single employer defined benefit pension plan that provides benefits to eligible County employees. A stand-alone report is not issued for the Plan.

The County's fiduciary fund is presented in the fiduciary fund financial statements by type (pension). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Basic Financial Statements - Fund Financial Statements - Continued**

**Major and Nonmajor Funds**

The funds of the financial reporting entity are further classified as major or nonmajor. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The County electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

**4. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**5. Cash and Cash Equivalents**

The County has defined cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Restricted cash mainly consists of amounts held by the County for the proceeds from grant programs, property sales, Constitutional Row Offices, 911 emergency reporting, mobile home placement fee, realty transfer tax, fire service fee and various sewer system reserves and construction funds.

**6. Investments**

The enterprise fund investments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. All other investments are stated at fair value. Fair values are determined by quoted market prices, where available. Restricted investments represent amounts held by the County for sewer fund construction and debt service, and for revenue bond required reserves.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Accounts Receivable**

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**8. Inventory**

Inventories are valued at cost using first-in, first-out (FIFO) or market and represent supplies owned by the County. The costs of these inventories are recorded as expenditures when consumed.

**9. Capital Assets**

Capital assets purchased or acquired with an original cost of \$ 3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10 - 50 years
Improvements	5 - 50 years
Equipment	5 - 20 years
Infrastructure	10 - 50 years

The County's governmental activities infrastructure consists mainly of parking lots, airport aprons and airport runways.

**10. Bond Premiums, Discounts and Issuance Costs**

Bond premiums, discounts and issuance costs for proprietary funds are deferred and amortized over the term of the bonds, which range from one to forty years, using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**11. Deposits and Deferred Revenue**

Deposits and deferred income represent monies held by the County either to be recognized as revenue in future periods or to be remitted to others.

**12. Interest Capitalization**

Interest costs incurred by a proprietary fund for the acquisition and/or construction of capital assets are subject to capitalization. The interest capitalization period begins when the following conditions are present:

- a. Expenditures for the capital asset have been made.
- b. Activities that are necessary to get the capital asset ready for its intended use are in progress.
- c. Interest cost is being incurred.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**12. Interest Capitalization - Continued**

The amount of interest cost to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the proprietary fund's interest rate for the obligation incurred specifically to finance the construction of the capital asset. During fiscal 2004, Proprietary Fund interest expense is net of \$ 13,938 of capitalized interest.

**13. Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved is further split between encumbrances, inventories and prepaid expenses, non-current assets and amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unrestricted is further split between designated and undesignated. Designations of fund balance represent tentative management plans that are subject to change. Proprietary fund equity is classified the same as in the government-wide statements.

**14. Revenues**

Those revenues susceptible to accrual are property taxes, special assessments, interest revenue and charges for services, intergovernmental, and miscellaneous. All other revenue items are considered to be measurable and available only when cash is received by the County. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues include: charges to customers for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**14. Revenues - Continued**

The County's property tax year runs from May 1 to April 30. Property taxes are recorded and attached as an enforceable lien on property on May 1, the date levied. Taxes are payable under the following terms: July 1 through September 30, face amount; after September 30, a 1.5% penalty per month is charged on the unpaid balance due. Property taxes are recognized as revenue in the budget year (beginning July 1 after the levy date) for which they are levied.

**15. Expenditures**

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

**16. Compensated Absences**

Employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to two times their yearly vacation and, for sick days, up to a maximum of 90 days. The County accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**17. Interfund Activity**

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**18. Budgets and Budgetary Accounting**

Prior to March 1, the County Administrator, in conjunction with the Director of Finance and the Director of Accounting, distributes budget request forms to each department and agency. The budget must identify the specific level of service provision and describe how priorities have been established and incorporated into the budget.

These budgets are prepared by April 1. The County Administrator, with the assistance of the Director of Finance and Director of Accounting, then develop an annual operating budget, using these department budgets to evaluate the priority and costs of various services. The recommended annual operating budget is then presented to Council by the County Administrator. This submission includes proposed operating budget ordinances setting forth the proposed departmental appropriations and various tax rates to balance the budget.

The Council reviews the budget both internally and through public hearings. Subsequently, the budget is adopted through legislation in Council prior to July 1. The operating budget ordinance and related revenue ordinances are officially adopted when approved by the County Council. The County legally adopts an annual budget for the general fund and the capital projects fund.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**18. Budgets and Budgetary Accounting - Continued**

Appropriations are legislated at the departmental level by object of expenditure. Although the County Code requires budget amendments to be adopted using the same procedures as its original adoption, the Council has authorized the County Administrator to make budgetary transfers within each fund. The aggregate amount of the budget cannot be changed without a public hearing. All unused and unencumbered annual appropriations lapse at fiscal year-end.

The budgets for the County's general fund and capital projects fund have been prepared on a basis materially consistent with generally accepted accounting principles (GAAP). Final budgeted amounts are as amended through June 30, 2004. Unexpended appropriations in the operating budget lapse at year end, while encumbered amounts are reappropriated in the subsequent year.

**19. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

**NOTE B - CASH AND INVESTMENTS**

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks; services of brokers or securities dealers are not used.

The table presented below is designed to disclose the level of custody credit risk assumed by the County based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the County or its agent in the County's name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the County's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the County's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Category			Total Bank Balance	Total Carrying Value
	1	2	3		
Demand deposits	\$ 400,000	\$ 64,244,303	\$ 1,762	\$ 64,646,065	\$ 61,958,199
Time deposits	-	25,400,000	-	25,400,000	25,400,000
<b>TOTAL DEPOSITS</b>	<b>\$ 400,000</b>	<b>\$ 89,644,303</b>	<b>\$ 1,762</b>	<b>\$ 90,046,065</b>	<b>\$ 87,358,199</b>

**NOTE B - CASH AND INVESTMENTS - CONTINUED**

The County's investments are categorized below to give an indication of risk assumed by the County at fiscal year-end. Investments not evidenced by securities are not categorized. Such investments include open-end mutual funds and external pooled investments. Pooled investments represent investments in which the County owns units of the pool rather than specific securities. As a result, such investments cannot be categorized as to credit risk.

Category 1 - Insured or registered with securities held by the County or its agent in the County's name

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the County's name

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the County's name

Investment balances held in each risk category are as follows at June 30, 2004:

Type of Investment	Category			Reported Amount/ Fair Value
	1	2	3	
Obligations of U.S. Government/Agencies	\$ 17,141,733	\$ -	\$ -	\$ 17,141,733
Municipal obligations	178,109	-	-	178,109
Repurchase agreements	10,404,883	-	-	10,404,883
	<u>\$ 27,724,725</u>	<u>\$ -</u>	<u>\$ -</u>	27,724,725
Uncategorized				
Pooled securities				13,625,014
Mutual funds				9,689,593
<b>TOTAL INVESTMENTS</b>				<u><u>\$ 51,039,332</u></u>

Statutes authorize the County to invest in bonds or in other obligations of which the faith and credit of the United States of America are pledged, obligations of federal governmental agencies issued pursuant to Acts of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the faith and credit of the United States are pledged, Fidelity Investments mutual funds, Delaware Local Government Retirement Investment Pool, and any bank or banks in the State of Delaware. Information is not available concerning the indirect use of derivatives through the mutual funds and investment pool.

**NOTE B - CASH AND INVESTMENTS - CONTINUED**

Reconciliation of cash and investments to the Government-wide Statement of Net Assets:

Cash on hand	\$ 17,679
Carrying amount of deposits	87,358,199
Carrying amount of investments	<u>51,039,332</u>
<b>TOTAL</b>	<b><u>\$ 138,415,210</u></b>
Cash and cash equivalents	\$ 41,131,096
Cash and cash equivalents - restricted	69,423,260
Investments	1,712,790
Investments - restricted	1,873,008
Pension trust cash and investments (not included in government-wide statement)	<u>24,275,056</u>
<b>TOTAL</b>	<b><u>\$ 138,415,210</u></b>

**NOTE C - ACCOUNTS RECEIVABLE**

The allowance for uncollectible receivables at June 30, 2004 is \$ 8,569 for service and \$ 7,394 for assessment.  
The County does not have an allowance for uncollectible property taxes because all are considered collectible.

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance at June 30, 2003	Increases	Decreases	Balance at June 30, 2004
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,337,775	\$ 126,115	\$ -	\$ 4,463,890
Construction in progress	<u>1,467,078</u>	<u>1,608,438</u>	<u>866,786</u>	<u>2,208,730</u>
Total capital assets, not being depreciated	<u>5,804,853</u>	<u>1,734,553</u>	<u>866,786</u>	<u>6,672,620</u>
Other capital assets:				
Buildings	11,776,347	54,468	33,868	11,796,947
Improvements	6,814,303	1,161,541	-	7,975,844
Machinery and equipment	<u>8,747,739</u>	<u>508,579</u>	<u>515,191</u>	<u>8,741,127</u>
Total other capital assets	<u>27,338,389</u>	<u>1,724,588</u>	<u>549,059</u>	<u>28,513,918</u>
Less accumulated depreciation for:				
Buildings	1,700,862	235,397	3,557	1,932,702
Improvements	4,701,740	208,805	-	4,910,545
Machinery and equipment	<u>5,811,109</u>	<u>985,357</u>	<u>498,556</u>	<u>6,297,910</u>
Total accumulated depreciation	<u>12,213,711</u>	<u>1,429,559</u>	<u>502,113</u>	<u>13,141,157</u>
Other capital assets, net	<u>15,124,678</u>	<u>295,029</u>	<u>46,946</u>	<u>15,372,761</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 20,929,531</u></b>	<b><u>\$ 2,029,582</u></b>	<b><u>\$ 913,732</u></b>	<b><u>\$ 22,045,381</u></b>

**NOTE D - CAPITAL ASSETS - CONTINUED**

	Balance at June 30, 2003	Increases	Decreases	Balance at June 30, 2004
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,796,431	\$ 34,323,606	\$ -	\$ 39,120,037
Construction in progress	13,592,462	13,859,874	14,251,021	13,201,315
Total capital assets, not being depreciated	18,388,893	48,183,480	14,251,021	52,321,352
Other capital assets:				
Buildings	10,501,746	-	15,770	10,485,976
Improvements	9,319,373	17,571	2,000	9,334,944
Machinery and equipment	4,989,954	274,880	73,542	5,191,292
Infrastructure	207,924,462	21,000,921	645,098	228,280,285
Total other capital assets	232,735,535	21,293,372	736,410	253,292,497
Less accumulated depreciation for:				
Buildings	4,674,406	319,073	4,427	4,989,052
Improvements	2,814,880	296,919	-	3,111,799
Machinery and equipment	2,906,428	760,636	-	3,667,064
Infrastructure	52,739,317	4,921,563	509,215	57,151,665
Total accumulated depreciation	63,135,031	6,298,191	513,642	68,919,580
Other capital assets, net	169,600,504	14,995,181	222,768	184,372,917
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 187,989,397</b>	<b>\$ 63,178,661</b>	<b>\$ 14,473,789</b>	<b>\$ 236,694,269</b>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>		
General government		\$ 361,639
Planning and zoning		24,370
Paramedic program		367,455
Emergency preparedness		304,487
Economic development and public works		40,616
County engineer		23,581
Airport		227,383
Engineering - solid waste		1,707
Library		37,278
Constitutional offices		41,043
<b>Total governmental activities depreciation expense</b>		<b>\$ 1,429,559</b>
<b>Business-type activities:</b>		
Water		\$ 115,990
Sewer		6,182,201
<b>Total business-type activities depreciation expense</b>		<b>\$ 6,298,191</b>

**NOTE E - SUSSEX COUNTY EMPLOYEE PENSION PLAN**

Plan Description and Provisions

The County established and administers a single-employer defined benefit pension plan for its employees. The Plan provides for retirement, disability and death benefits to plan members and their beneficiaries. Employees are not required to contribute to the plan. The pension plan is reported in the fiduciary fund in the County's financial statements. A covered employee is an employee who receives a regular salary or wages wholly, or in part, directly, or indirectly, from Sussex County provided, however, that an employee shall not be considered in covered employment if they are a part-time or seasonal employee who is not regularly employed for more than 120 working days in any one calendar year, per Ordinance No. 19, 6/10/75; No. 52, 12/16/80; No. 73, 9/22/81; No. 190, 7/24/84; No. 281, 7/23/85; No. 318, 11/12/85; No. 359, 3/25/86; No. 1375, 6/6/00 and No. 1485, 7/1/01. Also covered are elected officials, Justices of the Peace, and Constables for time worked prior to March 31, 1965. Cost-of-living adjustments (COLA) are provided at the discretion of the County Council. The County has authority to establish and amend benefit provisions of the plan.

To be eligible for retirement benefits, a covered employee who shall have service with Sussex County in continuous employment for at least eight years shall be considered eligible for retirement benefits within the meaning of this Ordinance, except as otherwise provided. The age for normal retirement is 62 with eight years of service, 60 for early retirement with 15 years of service, or after 30 years of service regardless of age, for most employees. Effective June 6, 2000, the number of years of service for normal retirement is 25 for paramedic and emergency communication specialists. For the year ended June 30, 2004, total payroll was \$ 15,185,400. Covered payroll refers to all compensation by the County to active employees covered by the plan. Current membership in the plan (as of January 1, 2004) is as follows:

<u>Vested Actives</u>	<u>Nonvested Actives</u>	<u>Total Actives</u>	<u>Retirees</u>	<u>Terminated Vested</u>	<u>Covered Payroll</u>
234	224	458	102	56	\$ 14,359,924

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution	\$ 1,241,364
Interest on net pension obligation	(233,205)
Adjustment to annual required contribution	357,908
Annual Pension Cost	1,366,067
Contributions made	(2,647,221)
Increase in Net Pension Asset	(1,281,154)
Net Pension Obligation (Asset), Beginning of Year	(2,915,064)
Net Pension Obligation (Asset), End of Year	\$ (4,196,218)



**NOTE E - SUSSEX COUNTY EMPLOYEE PENSION PLAN - CONTINUED**

The County's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. Contributions made were 18 percent of covered payroll. The contribution is designed to accumulate sufficient assets to pay benefits when due. The actuarial valuation of the plan as of January 1, 2004 was determined using the projected unit credit actuarial cost method. This measure is independent of the funding method used to determine contributions to the system. The actuarial assumptions include:

- A rate of return on the investment of present and future assets of 8 percent per year compounded annually.
- Projected salary increases of 5 percent per year compounded annually.
- The assumption that benefits will increase 2 percent annually after retirement for cost of living increases.
- Inflation of 4 percent per year underlying the salary scale and interest rates.
- Five-year phase-in of asset gains and losses is used to value assets.

The level dollar closed method is used to amortize the Annual Required Contribution and an adjustment to the Annual Required Contribution. The remaining amortization period is 12 years. Employer contributions are recognized in the period in which contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed through investment earnings.

Trend information is as follows:

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2002	\$ 929,042	166.3 %	\$ (2,229,015)
2003	1,085,060	163.2	(2,915,064)
2004	1,366,067	193.8	(4,196,218)

The plan was funded with contributions as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
1976	\$ 75,000	1993	\$ 890,882
1982	50,000	1994	950,736
1983	150,000	1995	1,040,285
1984	80,995	1996	1,175,078
1985	100,000	1997	1,157,975
1986	234,000	1998	896,732
1987	419,532	1999	881,820
1988	484,224	2000	1,946,139
1989	182,262	2001	1,440,572
1990	342,739	2002	1,544,934
1991	355,582	2003	2,034,321
1992	463,552	2004	2,670,566

**NOTE E - SUSSEX COUNTY EMPLOYEE PENSION PLAN - CONTINUED**

Pension Trust Assets

The pension trust funds are invested in U.S. Treasury Notes, U.S. Government Agency Notes and Bonds, Sussex County Second Lien Revenue Bonds, the Delaware Local Government Retirement Investment Pool (DEL RIP), Wilmington Trust Company (WTC) mutual funds, and Fidelity Investments mutual funds. Wilmington Trust Company is the trustee of the Plan. DEL RIP was established to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System (DPERS). DEL RIP is in the custody of the Delaware Board of Pension Trustees and is subject to oversight of the DPERS' Investment Committee and not of the Securities and Exchange Commission (SEC). The WTC mutual funds are in the custody of the Wilmington Trust Company. The DEL RIP investments are stated at fair value, which is the same as the value of the DPERS' Master Trust shares. Further details of the DEL RIP investments are disclosed in the DPERS 33rd Comprehensive Annual Financial Report, which may be obtained by calling 1-800-722-7300.

Investments at fair value (other than those issued or guaranteed by the U.S. government) in excess of 5% of the Plan's net assets held in trust for pension benefits at June 30, 2004 consist of:

	<u>Fair Value</u>
Delaware Local Retirement Investment Pool	\$ 11,912,224
Fidelity Investments Short-Intermediate Government Portfolio	<u>1,525,288</u>
<b>TOTAL</b>	<b><u>\$ 13,437,512</u></b>

**NOTE F - DEFERRED COMPENSATION PLAN**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County is not matching employee contributions. Under custodial agreements, the custodians hold all assets and income in trust for the exclusive benefit of participants and their beneficiaries.

**NOTE G - SHORT-TERM DEBT**

Short-term financing is obtained from banks to provide working capital for the Enterprise Funds. Interest on the line of credit is variable; the interest rate was 2.56% at June 30, 2004. The County had \$ 24,118,976 of unused line of credit to be drawn upon as needed. Short-term debt activity for the year ended June 30, 2004, was as follows:

	<u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2004</u>
Notes payable	\$ 1,131,024	\$ -	\$ 250,000	<u>\$ 881,024</u>

NOTE H - LONG-TERM LIABILITIES

Description of Bonds Payable

At June 30, 2004, bonds payable consisted of the following individual issues:

	<u>Business-type</u>
1994 wastewater general obligation bonds (West Rehoboth expansion sewer system), due in various installments through December 20, 2034, interest at 4.5%.	\$ 9,199,206
1994 SRF Subordinate Obligations (West Rehoboth Phase I and II); interest at 1.5%, final payment due December 2016. Repayment over 21 years beginning December 1995 from gross revenues of the West Rehoboth Expansion of the Dewey Beach Sanitary Sewer District but on a subordinate basis for the first 13 years to operations and management expenses, 1994 Series Bonds (\$ 19 million), Rural Development Administration loan, other project borrowings and SRF loans. Repayment the last 7 years based on equal installments. The subordinate obligations require various construction, operating and depreciation accounts.	10,529,095
1995 wastewater revenue bonds (West Rehoboth expansion sewer system), due in various installments through June 15, 2025, interest ranging from 4.75% to 5.5%. Debt service will be paid from user fee revenue generated by the West Rehoboth expansion sewer system. The revenue bonds require various project, construction, operating and depreciation accounts.	18,830,000
1995A wastewater general obligation bonds (West Rehoboth expansion sewer system), due in various installments through March 9, 2035, interest at 4.5%.	3,348,710
1995B wastewater general obligation bonds (West Rehoboth expansion sewer system), due in various installments through June 27, 2035, interest at 4.5%.	6,118,902
1995C wastewater general obligation bonds (West Rehoboth expansion sewer system), due in various installments through September 26, 2035, interest at 4.5%.	5,582,793
1995D wastewater general obligation bonds (West Rehoboth expansion sewer system), due in various installments through December 22, 2035, interest at 4.5%.	2,801,680
1996 wastewater general obligation bonds (Ocean Way Estates expansion sewer system), due in quarterly installments of \$ 6,256 principal and interest, interest at 4.5%, final payment due October 17, 2036.	426,323
1997 wastewater general obligation bonds (West Rehoboth expansion sewer system), due in various installments through June 15, 2021, interest at 1.5%. Total bonds authorized are \$ 12,000,000.	8,839,821

**NOTE H - LONG-TERM LIABILITIES - CONTINUED**

Description of Bonds Payable - Continued

	<u>Business-type</u>
2000 wastewater general obligation bonds (Ocean View, Holts Landing, Cedar Neck, North Millville and SCRWF projects), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2026. Total bonds authorized are \$ 13,752,100.	\$ 12,923,951
2000 wastewater general obligation bonds (Ellendale Sanitary Sewer District), due in semi-annual installments, interest at 1.5%, final payment due December 15, 2023. Total bonds authorized are \$ 1,726,000.	1,696,929
2001 wastewater general obligation bonds (West Rehoboth expansion sewer system), due in quarterly installments of \$ 135,087 principal and interest, interest at 4.5%, final payment due June 1, 2041.	9,710,396
2001 wastewater general obligation bonds (1993 refunding), due in semi-annual installments, interest at 4%, final payment due October 15, 2005.	5,500,000
2002 wastewater general obligation bonds (Miller Creek Sanitary Sewer District), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2027. Total bonds authorized are \$ 3,300,000.	12,064
2002 wastewater general obligation bonds (Bayview Estates and Sea Country Estates Sanitary Sewer District), due in semi-annual installments, interest at 1.5%, final payment due December 31, 2025. Total bonds authorized are \$ 2,636,000.	44,714
2002 wastewater general obligation bonds (SCRWF projects), due in semi-annual installments, interest at 3.175%, final payment due December 31, 2026. Total bonds authorized are \$ 13,000,000.	86,493
2003 wastewater general obligation bonds (Oak Orchard Sanitary Sewer District), due in semi-annual installments, interest at 2%, final payment due December 31, 2024. Total bonds authorized are \$ 1,500,000.	497,808
2003 wastewater general obligation bonds (1992 and 1993 refunding), due in semi-annual installments, interest ranging from 2.5% to 5%, final payment due October 15, 2032.	31,255,000
2003 wastewater general obligation bonds (Ellendale project), due in quarterly installments, interest at 4.25%, final payment due September 25, 2043. Total bonds authorized are \$ 815,000.	809,055
2003 wastewater general obligation bonds (Ellendale project), due in quarterly installments, interest 4.25%, final payment due September 25, 2043. Total bonds authorized are \$ 1,250,000.	1,240,884

**NOTE H - LONG-TERM LIABILITIES - CONTINUED**

Description of Bonds Payable - Continued

	<u>Business-type</u>
2004 wastewater general obligation bonds (Ellendale project), due in semi-annual installments, no stated interest rate, final payment due June 13, 2042. Total bonds authorized are \$ 1,000,000.	\$ 974,359
2004 wastewater general obligation bonds (Cedar Neck project), due in quarterly installments, interest at 4.375%, final payment due June 22, 2044. Total bonds authorized are \$ 6,910,700.	6,910,700
2003 wastewater general obligation bonds (SCRWF project), due in quarterly installments, interest 4.25%, final payment due September 19, 2043. Total bonds authorized are \$ 1,965,000.	1,950,672
2004 wastewater general obligation bonds (Inland Bays project), due in semi-annual installments, interest 1.5%, final payment due December 31, 2027. Total bonds authorized are \$ 16,000,000.	<u>10,000,000</u>
Subtotal	149,289,555
Unamortized bond premium	1,382,682
Unamortized bond discount	(5,123)
Deferred amount on refunding, net of amortization	<u>(3,769,619)</u>
<b>TOTAL BONDS PAYABLE</b>	<b><u>\$ 146,897,495</u></b>

Deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the refunded debt, net of amortization. This difference is reported in the accompanying financial statements as a deduction from bonds payable. Amortization of deferred amount on refunding charged to interest expense totaled \$ 513,288 and \$ 483,216 for fiscal year 2004 and 2003, respectively.

Defeasance of Debt

In prior years, the County defeased the general obligation bonds of 1975 and 1993 (partial) by placing the proceeds of the new debt in irrevocable trust funds to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the County's financial statements. At June 30, 2004, the amount of defeased debt outstanding but removed amounted to \$ 2,930,000.

Contract Commitments

The County has obligated itself under contracts for various projects. At June 30, 2004, the obligated unpaid amount was approximately \$ 14,002,617. The County's payment of these contracts will be contingent upon the contractors' satisfactory performance.

**NOTE H - LONG-TERM LIABILITIES - CONTINUED**

Long-term Liability Activity

Long-term liability activity for the year ended June 30, 2004, was as follows:

	June 30, 2003	Additions	Reductions	June 30, 2004	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 3,147,953	\$ 1,640,471	\$ 1,447,114	\$ 3,341,310	\$ 1,447,114
Capital lease obligations	324,574	43,550	100,865	267,259	91,317
Estimated liability for landfill postclosure care	4,472,000	-	72,000	4,400,000	-
<b>Total Governmental Activities</b>	<u>\$ 7,944,527</u>	<u>\$ 1,684,021</u>	<u>\$ 1,619,979</u>	<u>\$ 8,008,569</u>	<u>\$ 1,538,431</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 100,088,975	\$ 24,028,706	\$ 4,187,221	\$ 119,930,460	\$ 4,049,465
Revenue bond debt	30,609,794	-	1,250,699	29,359,095	1,282,109
Unamortized bond premium	1,566,747	-	184,065	1,382,682	-
Unamortized bond discount	(5,281)	-	(158)	(5,123)	-
Deferred amount of refunding, net of amortization	(4,282,907)	-	(513,288)	(3,769,619)	-
Total bonds payable	127,977,328	24,028,706	5,108,539	146,897,495	5,331,574
Compensated absences	761,240	480,847	400,141	841,946	400,141
<b>Total Business-type Activities</b>	<u>\$ 128,738,568</u>	<u>\$ 24,509,553</u>	<u>\$ 5,508,680</u>	<u>\$ 147,739,441</u>	<u>\$ 5,731,715</u>

For the governmental activities, compensated absences, capital lease obligations and estimated liability for landfill postclosure care are primarily liquidated by the General Fund.

Debt Maturity

The annual aggregate maturities for each bond type are as follows:

Year ending June 30,	Business-type Activities - General Obligation		
	Principal	Interest	Total
2005	\$ 4,049,464	\$ 3,976,415	\$ 8,025,879
2006	4,747,588	4,035,368	8,782,956
2007	3,978,488	3,898,967	7,877,455
2008	4,313,143	3,800,477	8,113,620
2009	4,693,844	3,591,824	8,285,668
2010 - 2014	25,932,154	15,205,436	41,137,590
2015 - 2019	22,685,488	11,130,378	33,815,866
2020 - 2024	17,637,984	7,876,483	25,514,467
2025 - 2029	11,612,372	5,568,965	17,181,337
2030 - 2034	10,897,703	3,325,249	14,222,952
2035 - 2039	5,865,042	1,313,572	7,178,614
2040 - 2044	3,517,190	321,092	3,838,282
<b>TOTAL</b>	<u>\$ 119,930,460</u>	<u>\$ 64,044,226</u>	<u>\$ 183,974,686</u>

**NOTE H - LONG-TERM LIABILITIES - CONTINUED**

Year ending June 30,	Business-type Activities - Revenue Bonds		
	Principal	Interest	Total
2005	\$ 1,282,109	\$ 1,175,703	\$ 2,457,812
2006	1,318,691	1,139,894	2,458,585
2007	1,355,446	1,102,191	2,457,637
2008	1,397,378	1,062,259	2,459,637
2009	1,439,488	1,020,059	2,459,547
2010 - 2014	7,920,557	4,380,686	12,301,243
2015 - 2019	7,005,426	2,968,698	9,974,124
2020 - 2024	6,190,000	1,457,228	7,647,228
2025	1,450,000	79,750	1,529,750
<b>TOTAL</b>	<b>\$ 29,359,095</b>	<b>\$ 14,386,468</b>	<b>\$ 43,745,563</b>

Bonds Authorized but Unissued

Bonds authorized but unissued at June 30, 2004 totaled \$ 43,111,544. Subsequent to year end, an additional \$ 1,000,000 of bonds was authorized. The bonds are to finance various sewer district construction and improvement projects.

Capital Lease Obligations

The County leases photocopiers under three to five year lease purchase agreements and a defibrillator under a five-year lease purchase agreement. Monthly lease payments range from \$ 40 to \$ 5,068, and expire from August 1, 2004 through October 31, 2007. Obligations under governmental activities capital leases are as follows:

Year ending June 30,	Governmental Activities
2005	\$ 99,658
2006	81,661
2007	67,053
2008	36,814
Total minimum lease payments	285,186
Less: Amount representing imputed interest costs	17,927
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>\$ 267,259</b>

**NOTE I - INTERFUND BALANCES**

Interfund balances at June 30, 2004 consisted of the following:

Receivable Fund	Payable Fund	Total Amount	Long-term Amount
General fund	Long Neck sewer fund	\$ 46,859	\$ 46,859
	Bethany sewer fund	622,350	622,350
	West Rehoboth sewer fund	83,195	83,195
	Treatment plant - SCRWF	4,243,247	4,243,247
	Treatment plant - IBRWF	8,760,915	8,760,915
	Nonmajor enterprise funds	4,300,478	4,300,478
		<u>18,057,044</u>	<u>18,057,044</u>
Capital projects fund	General fund	31,641	31,641
Treatment plant - SCRWF	Long Neck sewer fund	441,910	441,910
	Bethany sewer fund	133,331	133,331
	West Rehoboth sewer fund	715,999	715,999
	Nonmajor enterprise funds	1,800,195	1,800,195
		<u>3,091,435</u>	<u>3,091,435</u>
<b>TOTAL</b>		<u>\$ 21,180,120</u>	<u>\$ 21,180,120</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2004, interfund balances largely represented interim financing for sewer projects, which are to be repaid when the County draws the permanent funding. The long-term portion indicated above is not scheduled to be collected in the subsequent year.

**NOTE J - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFER TO:	TRANSFER FROM				
	General Fund	Bethany	Long Neck	West Rehoboth	Total
Capital projects fund	\$ 10,527,512	\$ -	\$ -	\$ -	\$ 10,527,512
Bethany sewer fund	510,040	-	-	-	510,040
Long Neck sewer fund	275,000	-	-	-	275,000
West Rehoboth sewer fund	325,000	-	-	-	325,000
Treatment plant - SCRWF	573,000	40,200	-	-	613,200
Treatment plant - IBRWF	275,000	-	1,159,607	5,507,490	6,942,097
Nonmajor enterprise funds	967,000	-	-	-	967,000
<b>TOTAL</b>	<u>\$ 13,452,552</u>	<u>\$ 40,200</u>	<u>\$ 1,159,607</u>	<u>5,507,490</u>	<u>20,159,849</u>



**NOTE J - INTERFUND TRANSFERS - CONTINUED**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2004, Long Neck and West Rehoboth sewer funds transferred a total of \$ 6,667,097 to the new Inland Bays Regional Wastewater Facility Treatment Plant to acquire land.

**NOTE K - POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note E, the County provides post-retirement health care benefits. For employees who begin employment with the County prior to July 1, 2001, the County policy is to provide post-retirement healthcare benefits immediately after they leave County employment if they receive a pension at that time. Retirees hired subsequent to June 30, 2001, with 15 to 24 years of service, are eligible for coverage upon receipt of a County pension, with the County paying 50 percent of the premium. Retirees hired subsequent to June 30, 2001, with at least 25 years of service, receive full post-retirement healthcare benefits when they receive their pension. Employees, who began work prior to July 1, 2001, may elect the coverage available as if hired after June 30, 2001. Currently, 102 retirees receive post-retirement healthcare benefits. Expenditures for post retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$ 560,990 were recognized in the general fund for post-retirement benefits. The County has authority to establish and amend post employment benefits.

**NOTE L - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; omissions; injuries to employees; and natural disasters for which the County carries commercial insurance. Settlements have not exceeded coverage in the past three years. The following significant reduction in coverage occurred:

Effective July 1, 2002, the Sussex County Council was unable to renew and obtain insurance for the ocean outfall that serves the South Coastal Regional Wastewater Facility. The estimated replacement cost of this outfall is approximately \$ 21,000,000. Since it became operational in 1978, there have been no insurance claims pertaining to the ocean outfall. The estimated cost to the County of a fracture or point failure of the outfall would range from \$ 800,000 to \$ 1,300,000, including the cost of a temporary discharge into the Assawoman Canal. The County is continuing to pursue insurance in a difficult insurance market for this property, as well as evaluating self-insurance as an option.

The County is exposed to the risk of loss related to employee medical expenses. During fiscal year 2004, the County maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually up to \$ 85,000. Individual excess expenses are covered under a commercial policy. In addition, the County has a maximum aggregate limit of \$ 7,521,407 for the County's portion of medical expense liability, which is covered under a commercial policy. The County reports the risk management activity in the General Fund. The County recognizes expenditures/expenses in the General Fund, Water Fund and Sewer Funds. The employee health plan is administered by an outside agency.

**NOTE L - RISK MANAGEMENT - CONTINUED**

Employee Health Plan

Contributions from the County and employee withholdings are deposited into a reserve fund to pay prior-year and current-year claims. Estimated risks and losses are based upon historical costs, financial analyses and estimated effects of plan changes. The claims liability reported at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Changes in the employee health claims liability amounts in fiscal year 2004 and 2003 were:

	<u>Beginning of Year Balance</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Balance</u>
2002 - 2003	\$ 630,599	\$ 3,990,346	\$ (4,000,923)	\$ 620,022
2003 - 2004	620,022	4,930,459	(5,011,357)	539,124

**NOTE M - PROPRIETARY FUNDS CONTRACTS**

The County has a contract with the Town of Georgetown for the Town to provide wastewater treatment and disposal for the County's Ellendale Sewer Treatment System. The contract was executed on May 25, 2000 and is in effect for a period of 40 years unless both parties mutually agree to terminate the contract. The County has a contract with the City of Rehoboth Beach for the City to provide water for the County's Dewey Beach Water District. The contract was executed on April 1, 2000 and is in effect until March 31, 2005. The County has a contract with the City of Seaford for the purpose of discharging wastewater. The contract is in effect on January 1, 2004 for 10 years with an option to renew for an additional 10 years.

**NOTE N - LANDFILL POSTCLOSURE CARE COST**

State and federal laws and regulations required the County to place a final cover on its six landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at these sites for 30 years after their closure. The estimated liability for landfill postclosure care of \$ 4,400,000 at June 30, 2004 represented the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. This amount is based on what it would cost to perform all postclosure care in 2004. Actual cost may be higher because of inflation, changes in technology or changes in regulations.

The annual operating costs for maintenance and monitoring the landfill sites will continue to be funded by the County and recorded as a long-term liability in the governmental activities in the Statement of Net Assets.

#### NOTE O - RENT REVENUES

The County has entered into several long-term operating leases with local businesses to rent property, mainly located in the County's Industrial Park and Airport. These leases range in terms of one year to forty-five years and several of them are noncancelable. Buildings with a cost basis of \$ 1,832,972 and accumulated depreciation of \$ 362,005, equipment with a cost basis of \$ 55,058 and accumulated depreciation of \$ 22,942 and improvements of \$ 9,713 and accumulated depreciation of \$ 2,752 were being leased as of June 30, 2004. The minimum future rental revenue under leases as of June 30, 2004 for each of the next five years and in the aggregate are:

<u>Year ending June 30,</u>	<u>Amount</u>
2005	\$ 234,725
2006	198,533
2007	135,491
2008	101,219
2009	91,405
Thereafter	<u>1,069,523</u>
<b>MINIMUM LEASE PAYMENTS RECEIVABLE</b>	<b><u>\$ 1,830,896</u></b>

#### NOTE P - MORTGAGE RECEIVABLE

The County holds a mortgage receivable from the Patrick Family Foundation, Inc. at June 30, 2004 of \$ 400,000, which is not reflected on the governmental funds balance sheet. It bears interest of 3%, payable semi-annually, and is due on September 29, 2005. The proceeds were used to finance a portion of the costs of a new airplane hangar and the acquisition of related equipment at the County's airport.

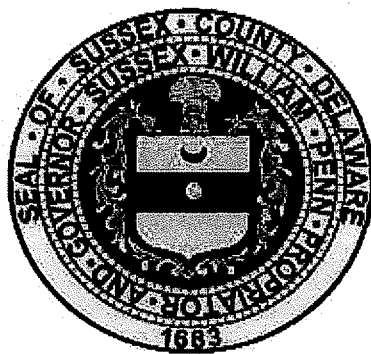
#### NOTE Q - CONTINGENCIES

The County is currently involved in a number of lawsuits involving construction projects, zoning ordinances, and other civil lawsuits. The amount of any contingent liability related to these suits either cannot be estimated or the outcome is uncertain.

The County has authorized the issuance of revenue bonds to provide funds for various commercial, industrial and agricultural development projects. In the opinion of bond counsel, the bonds are not subject to the debt limit imposed on the County by the Delaware Code, and are payable solely from payments made by the borrowing entities. Accordingly, these bonds are not reflected in the accompanying financial statements.

#### NOTE R - SUBSEQUENT EVENTS

Subsequent to year end, the County has committed to the following contracts: Oak Orchard Sanitary Sewer District collection and conveyance project for \$ 2,648,287; SCRWF treatment upgrade project for \$ 15,201,101; and preliminary feasibility study and engineering reports for the North Coastal Planning Area Regional Wastewater Facilities for \$ 1,281,225.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**SUSSEX COUNTY, DELAWARE  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2004**

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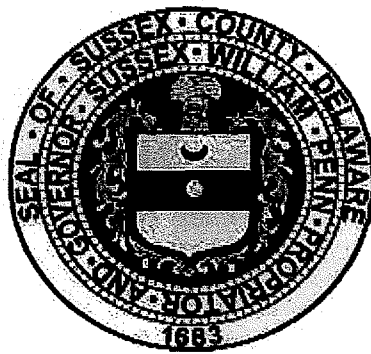
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</b>
01/01/1999	\$ 13,236,957	\$ 15,196,127	\$ 1,959,170	87.1%	\$ 9,208,608	21.3%
01/01/2000	16,865,340	17,389,368	524,028	97.0	10,139,573	5.2
01/01/2001	19,162,538	19,365,325	202,787	99.0	10,835,061	1.9
01/01/2002	21,212,036	21,567,079	355,043	98.4	12,243,136	3.0
01/01/2003	22,625,644	24,379,883	1,754,239	92.8	13,299,716	13.2
01/01/2004	25,324,895	27,284,408	1,959,513	92.8	14,359,924	13.6

**SUSSEX COUNTY, DELAWARE**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 768,720	114.1%
2000	803,193	242.3
2001	752,825	191.4
2002	869,632	177.7
2003	996,026	177.8
2004	1,241,364	213.3





**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**GENERAL FUND**

**SUSSEX COUNTY, DELAWARE**  
**SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

- 58 -

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance - Over (Under)</b>
<b>TAXES</b>			
Real property - County	\$ 7,568,266	\$ 8,513,842	\$ 945,576
Real property - library	886,410	917,601	31,191
Realty transfer	10,000,000	27,399,572	17,399,572
Capitation	215,000	234,096	19,096
Fire service	1,075,000	1,510,691	435,691
Penalties and interest	115,000	145,027	30,027
<b>TOTAL TAXES</b>	<b>19,859,676</b>	<b>38,720,829</b>	<b>18,861,153</b>
<b>INTERGOVERNMENTAL REVENUES</b>			
Federal grants:			
Emergency preparedness	54,417	102,772	48,355
Federal Emergency Management Agency	-	62,357	62,357
Historical planner	25,000	14,092	(10,908)
Housing and Urban Development	1,449,000	922,441	(526,559)
Housing preservation	-	42,012	42,012
Project income	-	51,190	51,190
Federal payments in lieu of taxes	7,200	10,543	3,343
State grants:			
Airport	-	7,073	7,073
Housing rehabilitation loan program	-	94,547	94,547
Library	164,000	799,601	635,601
Paramedic	2,900,031	3,504,033	604,002
Local emergency plan commission	54,837	47,742	(7,095)
Community Development	-	233,184	233,184
Other	-	110,643	110,643
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>4,654,485</b>	<b>6,002,230</b>	<b>1,347,745</b>
<b>CHARGES FOR SERVICES</b>			
<b>Constitutional Office Fees</b>			
Clerk of the Peace	35,000	43,005	8,005
Prothonotary	2,500	2,214	(286)
Recorder of Deeds	3,350,000	5,834,980	2,484,980
Register of Wills	700,000	671,012	(28,988)
Sheriff	457,611	498,588	40,977
<b>Total Constitutional Office Fees</b>	<b>4,545,111</b>	<b>7,049,799</b>	<b>2,504,688</b>
<b>General Government Fees</b>			
Building permit and zoning fees	1,333,494	2,022,430	688,936
Industrial bonds fees	-	17,750	17,750
Building inspections	1,300,000	1,620,479	320,479
Security identification cards	1,500	1,412	(88)
Mobile home placement	341,000	356,860	15,860
911 reporting	550,000	658,996	108,996
<b>Total General Government Fees</b>	<b>3,525,994</b>	<b>4,677,927</b>	<b>1,151,933</b>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Final Budget	Actual	Variance - Over (Under)
<b>CHARGES FOR SERVICES - CONTINUED</b>			
<b>General Government Services</b>			
Airport operations	\$ 135,000	\$ 137,766	\$ 2,766
Data processing	30,000	50,509	20,509
Private road inspections and design fees	290,000	1,435,114	1,145,114
Industrial park water and sewer	31,000	39,585	8,585
Sewer and water inspections	1,000	10,454	9,454
900 Line - Assessment Department	20,000	1,692	(18,308)
<b>Total General Government Services</b>	<u>507,000</u>	<u>1,675,120</u>	<u>1,168,120</u>
<b>Other Charges</b>			
Reimbursements from water and sewer funds for services	141,000	-	(141,000)
Miscellaneous	33,780	153,687	119,907
<b>Total Other Charges</b>	<u>174,780</u>	<u>153,687</u>	<u>(21,093)</u>
<b>TOTAL CHARGES FOR SERVICES</b>	<u>8,752,885</u>	<u>13,556,533</u>	<u>4,803,648</u>
<b>FINES AND FORFEITS</b>			
Library fines	13,000	16,778	3,778
Zoning violations	2,500	2,325	(175)
<b>TOTAL FINES AND FORFEITS</b>	<u>15,500</u>	<u>19,103</u>	<u>3,603</u>
<b>MISCELLANEOUS</b>			
Interest earnings	700,000	890,190	190,190
Rents			
Courthouse and family court	-	88,974	88,974
Industrial park	33,111	28,192	(4,919)
County office building	84,871	87,257	2,386
Other	5,000	5,120	120
Sale of assets	-	16,461	16,461
Library donations	-	14,585	14,585
Paramedic program donations	-	790	790
<b>TOTAL MISCELLANEOUS</b>	<u>822,982</u>	<u>1,131,569</u>	<u>308,587</u>
<b>TOTAL REVENUES</b>	<u>34,105,528</u>	<u>59,430,264</u>	<u>25,324,736</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from capitalized leases	-	43,550	43,550
Prior year surplus	6,254,989	-	(6,254,989)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>6,254,989</u>	<u>43,550</u>	<u>(6,211,439)</u>
<b>TOTAL REVENUES AND OTHER         FINANCING SOURCES</b>	<u>\$ 40,360,517</u>	<u>\$ 59,473,814</u>	<u>\$ 19,113,297</u>

**SUSSEX COUNTY, DELAWARE**  
**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

- 60 -

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance - Over (Under)</b>
<b>GENERAL ADMINISTRATION</b>			
<b>County Council</b>			
Personal services	\$ 146,866	\$ 146,988	\$ (122)
Employee benefits	85,307	86,606	(1,299)
Contractual services	109,887	83,243	26,644
Supplies	20,162	16,915	3,247
Capital outlay	60,069	51,389	8,680
Other expenditures	3,888	1,725	2,163
Travel and training	18,500	12,272	6,228
<b>Total County Council</b>	<b>444,679</b>	<b>399,138</b>	<b>45,541</b>
<b>County Administration</b>			
Personal services	140,971	140,971	-
Employee benefits	46,516	38,328	8,188
Contractual services	3,350	2,170	1,180
Supplies	3,365	2,074	1,291
Capital outlay	1,000	-	1,000
Other expenditures	741	275	466
Travel and training	3,259	1,987	1,272
<b>Total County Administration</b>	<b>199,202</b>	<b>185,805</b>	<b>13,397</b>
<b>Legal Department</b>			
Professional services	100,000	112,516	(12,516)
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>743,881</b>	<b>697,459</b>	<b>46,422</b>
<b>FINANCE</b>			
<b>Financial Administration</b>			
Personal services	251,676	223,095	28,581
Employee benefits	96,493	85,622	10,871
Professional services	22,009	22,009	-
Contractual services	118,423	112,460	5,963
Supplies	2,877	1,892	985
Capital outlay	3,400	2,296	1,104
Travel and training	1,550	829	721
<b>Total Financial Administration</b>	<b>496,428</b>	<b>448,203</b>	<b>48,225</b>
<b>Assessment</b>			
Personal services	768,374	796,413	(28,039)
Employee benefits	405,002	422,901	(17,899)
Professional services	2,000	1,949	51
Contractual services	56,674	52,500	4,174
Supplies	24,303	18,945	5,358
Capital outlay	15,323	3,483	11,840
Travel and training	2,974	1,728	1,246
<b>Total Assessment</b>	<b>1,274,650</b>	<b>1,297,919</b>	<b>(23,269)</b>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Final Budget	Actual	Variance - Over (Under)
<b>FINANCE - CONTINUED</b>			
<b>Building Code</b>			
Personal services	\$ 208,114	\$ 214,684	\$ (6,570)
Employee benefits	106,750	111,044	(4,294)
Professional services	4,700	2,100	2,600
Contractual services	471,787	596,650	(124,863)
Supplies	14,960	13,714	1,246
Capital outlay	4,000	3,517	483
Travel and training	5,890	2,510	3,380
<b>Total Building Code</b>	<b>816,201</b>	<b>944,219</b>	<b>(128,018)</b>
<b>Mapping &amp; Addressing</b>			
Personal services	311,448	325,177	(13,729)
Employee benefits	183,504	182,888	616
Professional services	86,000	104,283	(18,283)
Contractual services	41,003	28,703	12,300
Supplies	16,250	11,042	5,208
Capital outlay	6,836	11,289	(4,453)
Other expenditures	-	33,299	(33,299)
Travel and training	24,450	11,484	12,966
<b>Total Mapping &amp; Addressing</b>	<b>669,491</b>	<b>708,165</b>	<b>(38,674)</b>
<b>Accounting</b>			
Personal services	355,805	352,912	2,893
Employee benefits	173,404	173,418	(14)
Professional services	98,850	98,344	506
Contractual services	22,800	21,541	1,259
Supplies	6,980	7,091	(111)
Capital outlay	3,742	7,917	(4,175)
Travel and training	2,850	145	2,705
<b>Total Accounting</b>	<b>664,431</b>	<b>661,368</b>	<b>3,063</b>
<b>Treasury</b>			
Personal services	273,982	275,879	(1,897)
Employee benefits	138,510	138,673	(163)
Professional services	9,000	-	9,000
Contractual services	108,882	101,935	6,947
Supplies	4,962	4,746	216
Capital outlay	5,959	8,052	(2,093)
Travel and training	177	56	121
<b>Total Treasury</b>	<b>541,472</b>	<b>529,341</b>	<b>12,131</b>
<b>TOTAL FINANCE</b>	<b>4,462,673</b>	<b>4,589,215</b>	<b>(126,542)</b>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	<b>Final Budget</b>	<b>Actual</b>	<b>Variance - Over (Under)</b>
<b>PERSONNEL</b>			
<b>Personnel Administration</b>			
Personal services	\$ 183,489	\$ 183,473	\$ 16
Employee benefits	83,096	86,199	(3,103)
Professional services	8,028	4,142	3,886
Contractual services	6,933	4,595	2,338
Supplies	3,575	2,749	826
Capital outlay	5,918	4,868	1,050
Other expenditures	60,072	59,072	1,000
Travel and training	400	23	377
<b>Total Personnel Administration</b>	<b>351,511</b>	<b>345,121</b>	<b>6,390</b>
<b>General Personnel</b>			
Employee benefits	130,900	692,410	(561,510)
<b>Retirement Distributions</b>			
Pension contribution	-	818,369	(818,369)
Pension distributions	848,472	-	848,472
Retiree benefits	1,094,124	560,990	533,134
Professional services	1,000	-	1,000
<b>Total Retirement Distributions</b>	<b>1,943,596</b>	<b>1,379,359</b>	<b>564,237</b>
<b>TOTAL PERSONNEL</b>	<b>2,426,007</b>	<b>2,416,890</b>	<b>9,117</b>
<b>BUILDING AND GROUNDS</b>			
<b>Maintenance</b>			
Personal services	420,643	362,083	58,560
Employee benefits	219,073	182,791	36,282
Contractual services	12,000	29,110	(17,110)
Supplies	28,450	24,746	3,704
Capital outlay	26,501	21,576	4,925
<b>Total Maintenance</b>	<b>706,667</b>	<b>620,306</b>	<b>86,361</b>
<b>Operations - Administrative Buildings</b>			
Personal services	326,567	304,356	22,211
Employee benefits	177,066	167,468	9,598
Contractual services	261,467	245,136	16,331
Supplies	71,350	70,025	1,325
Capital outlay	743	7,331	(6,588)
Other expenditures	30,000	29,680	320
Travel and training	750	-	750
<b>Total Operations - Administrative Buildings</b>	<b>867,943</b>	<b>823,996</b>	<b>43,947</b>
<b>TOTAL BUILDING AND GROUNDS</b>	<b>1,574,610</b>	<b>1,444,302</b>	<b>130,308</b>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Final Budget	Actual	Variance - Over (Under)
<b>DATA PROCESSING</b>			
<b>Data Processing</b>			
Personal services	\$ 246,959	\$ 242,207	\$ 4,752
Employee benefits	104,976	104,912	64
Contractual services	16,383	16,040	343
Supplies	16,250	11,459	4,791
Capital outlay	5,622	17,080	(11,458)
Other expenditures	30,000	-	30,000
Travel and training	1,550	800	750
<b>Total Data Processing</b>	<b>421,740</b>	<b>392,498</b>	<b>29,242</b>
<b>Information Systems</b>			
Personal services	148,032	157,539	(9,507)
Employee benefits	76,128	77,473	(1,345)
Contractual services	14,400	14,581	(181)
Supplies	14,722	9,953	4,769
Capital outlay	61,678	64,013	(2,335)
Travel and training	17,200	8,416	8,784
<b>Total Information Systems</b>	<b>332,160</b>	<b>331,975</b>	<b>185</b>
<b>TOTAL DATA PROCESSING</b>	<b>753,900</b>	<b>724,473</b>	<b>29,427</b>
<b>COUNTY CONSTABLE</b>			
Personal services	98,078	117,099	(19,021)
Employee benefits	47,496	56,889	(9,393)
Contractual services	20,540	16,704	3,836
Supplies	4,050	6,173	(2,123)
Capital outlay	25,665	2,231	23,434
Other expenditures	8,500	489	8,011
<b>TOTAL COUNTY CONSTABLE</b>	<b>204,329</b>	<b>199,585</b>	<b>4,744</b>
<b>GRANT-IN-AID PROGRAMS</b>			
Fire service grants	1,075,000	1,505,691	(430,691)
Future Farmers of America	1,000	-	1,000
Agriculture Extension Work (4-H)	160,206	160,206	-
Soil Conservation District tax ditch drainage	85,508	85,404	104
Conservation District salaries	24,517	24,274	243
Fire companies	450,707	450,707	-
Rescue trucks	56,339	56,337	2
Fire service discretionary	460,625	482,586	(21,961)
Cheers meal program	5,000	-	5,000
Ambulances	67,607	67,606	1
Ambulance stations (non-fire)	14,674	14,674	-
Sussex County Community Action Agency	10,000	10,000	-
Aerial devices	44,022	44,022	-
Small Business Development Center	5,000	-	5,000
Sussex state police program	906,000	843,095	62,905
Recreational youth programs	30,000	17,150	12,850
Human service grants	110,500	110,500	-
Councilmanic grants	50,000	54,346	(4,346)
Erosion technician	14,008	13,869	139
County wastewater relief program	100,000	58,705	41,295

(continued)



SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Final Budget	Actual	Variance - Over (Under)
<b>GRANT-IN-AID PROGRAMS - CONTINUED</b>			
Local library placement fee grants	\$ 341,000	\$ 358,941	\$ (17,941)
Town grants	135,000	45,000	90,000
Tax subsidy program	-	1,123	(1,123)
Local library grants	200,927	275,923	(74,996)
Economic Development stimulus grant	1,000,000	-	1,000,000
Laurel Redevelopment Corp grant	-	56,417	(56,417)
Community improvement grants	-	149,250	(149,250)
Open space land program grants	-	906,239	(906,239)
Public safety building grants	-	1,100,000	(1,100,000)
<b>TOTAL GRANT-IN-AID PROGRAMS</b>	<b>5,347,640</b>	<b>6,892,065</b>	<b>(1,544,425)</b>
<b>PLANNING AND ZONING</b>			
<b>Administration</b>			
Personal services	443,178	441,688	1,490
Employee benefits	218,796	213,336	5,460
Professional services	85,000	143,246	(58,246)
Contractual services	86,350	99,487	(13,137)
Supplies	19,250	16,168	3,082
Capital outlay	17,800	717	17,083
Other expenditures	1,000	-	1,000
Travel and training	4,150	2,679	1,471
<b>Total Administration</b>	<b>875,524</b>	<b>917,321</b>	<b>(41,797)</b>
<b>Board of Adjustment</b>			
Professional services	37,500	38,000	(500)
<b>Commission</b>			
Professional services	45,000	36,500	8,500
<b>TOTAL PLANNING AND ZONING</b>	<b>958,024</b>	<b>991,821</b>	<b>(33,797)</b>
<b>PARAMEDIC PROGRAM</b>			
Personal services	4,079,528	3,990,920	88,608
Employee benefits	1,792,322	1,760,549	31,773
Professional services	167,647	38,685	128,962
Contractual services	397,778	335,538	62,240
Supplies	298,430	246,079	52,351
Capital outlay	377,955	429,955	(52,000)
Other expenditures	93,766	44,082	49,684
Travel and training	56,012	38,761	17,251
<b>TOTAL PARAMEDIC PROGRAM</b>	<b>7,263,438</b>	<b>6,884,569</b>	<b>378,869</b>
<b>EMERGENCY PREPAREDNESS</b>			
<b>Administration</b>			
Personal services	107,754	85,428	22,326
Employee benefits	49,398	42,507	6,891
Contractual services	51,750	42,865	8,885
Supplies	10,500	7,153	3,347
Capital outlay	16,300	2,253	14,047
Other expenditures	22,200	21,947	253
Travel and training	6,200	1,426	4,774
<b>Total Administration</b>	<b>264,102</b>	<b>203,579</b>	<b>60,523</b>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

- 65 -

	Final Budget	Actual	Variance - Over (Under)
<b>EMERGENCY PREPAREDNESS - CONTINUED</b>			
<b>Emergency Operations Center</b>			
Personal services	\$ 618,107	\$ 630,635	\$ (12,528)
Employee benefits	319,025	304,466	14,559
Contractual services	135,500	136,477	(977)
Supplies	12,800	9,046	3,754
Capital outlay	62,275	54,780	7,495
Other expenditures	-	2,000	(2,000)
Travel and training	28,000	21,283	6,717
<b>Total Emergency Operations Center</b>	<u>1,175,707</u>	<u>1,158,687</u>	<u>17,020</u>
<b>Communications System</b>			
Personal services	133,177	129,626	3,551
Employee benefits	54,393	59,149	(4,756)
Contractual services	12,350	9,808	2,542
Supplies	23,700	22,084	1,616
Capital outlay	22,000	95,374	(73,374)
Other expenditures	20,000	-	20,000
Travel and training	1,700	-	1,700
<b>Total Communications System</b>	<u>267,320</u>	<u>316,041</u>	<u>(48,721)</u>
<b>Local Emergency Planning Community Program</b>			
Personal services	32,118	32,118	-
Employee benefits	15,719	15,472	247
Professional services	1,500	-	1,500
Contractual services	1,700	788	912
Supplies	2,900	1,528	1,372
Travel and training	900	215	685
<b>Total Local Emergency Planning         Community Program</b>	<u>54,837</u>	<u>50,121</u>	<u>4,716</u>
<b>TOTAL EMERGENCY PREPAREDNESS</b>	<u>1,761,966</u>	<u>1,728,428</u>	<u>33,538</u>
<b>ECONOMIC DEVELOPMENT AND PUBLIC WORKS</b>			
<b>Economic Development</b>			
Personal services	114,559	116,034	(1,475)
Employee benefits	50,735	50,691	44
Contractual services	15,300	12,036	3,264
Supplies	15,490	11,319	4,171
Capital outlay	23,965	15,226	8,739
Other expenditures	8,200	8,199	1
Travel and training	4,070	2,722	1,348
<b>Total Economic Development</b>	<u>232,319</u>	<u>216,227</u>	<u>16,092</u>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Final Budget	Actual	Variance - Over (Under)
<b>ECONOMIC DEVELOPMENT AND PUBLIC WORKS - CONTINUED</b>			
<b>Industrial Park</b>			
Personal services	\$ 15,075	\$ 12,147	\$ 2,928
Employee benefits	7,666	6,423	1,243
Contractual services	150,720	148,590	2,130
Supplies	3,310	2,936	374
Other expenditures	30,000	3,937	26,063
Travel and training	1,800	913	887
<b>Total Industrial Park</b>	<u>208,571</u>	<u>174,946</u>	<u>33,625</u>
<b>TOTAL ECONOMIC DEVELOPMENT AND     PUBLIC WORKS</b>	<u>440,890</u>	<u>391,173</u>	<u>49,717</u>
<b>COUNTY ENGINEER</b>			
<b>Administration</b>			
Personal services	609,376	304,338	305,038
Employee benefits	265,567	262,673	2,894
Contractual services	4,800	26	4,774
Supplies	2,600	1,714	886
Capital outlay	500	7,953	(7,453)
Other expenditures	-	5,409	(5,409)
Travel and training	3,500	2,402	1,098
<b>Total Administration</b>	<u>886,343</u>	<u>584,515</u>	<u>301,828</u>
<b>Public Works</b>			
Personal services	236,490	234,439	2,051
Employee benefits	112,326	104,811	7,515
Professional services	-	43,744	(43,744)
Contractual services	5,150	5,835	(685)
Supplies	8,705	7,854	851
Capital outlay	19,952	21,100	(1,148)
Other expenditures	-	71,116	(71,116)
Travel and training	3,050	587	2,463
<b>Total Public Works</b>	<u>385,673</u>	<u>489,486</u>	<u>(103,813)</u>
<b>TOTAL COUNTY ENGINEER</b>	<u>1,272,016</u>	<u>1,074,001</u>	<u>198,015</u>
<b>AIRPORT</b>			
Personal services	45,000	94,488	(49,488)
Employee benefits	22,955	45,847	(22,892)
Professional services	1,500	5,272	(3,772)
Contractual services	76,900	82,732	(5,832)
Supplies	20,000	17,057	2,943
Capital outlay	-	2,985	(2,985)
Other expenditures	-	4,208	(4,208)
<b>TOTAL AIRPORT</b>	<u>166,355</u>	<u>252,589</u>	<u>(86,234)</u>

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

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	Final Budget	Actual	Variance - Over (Under)
<b>ENGINEERING - SOLID WASTE</b>			
Professional services	\$ 5,000	\$ -	\$ 5,000
Contractual services	100	13	87
Supplies	2,100	1,900	200
Other expenditures	136,100	101,924	34,176
Travel and training	100	-	100
<b>TOTAL ENGINEERING - SOLID WASTE</b>	<b>143,400</b>	<b>103,837</b>	<b>39,563</b>
<b>LIBRARY</b>			
Library administration	640,599	645,992	(5,393)
Library facilities	1,228,887	1,193,327	35,560
Local libraries	886,439	886,439	-
<b>TOTAL LIBRARY</b>	<b>2,755,925</b>	<b>2,725,758</b>	<b>30,167</b>
<b>COMMUNITY DEVELOPMENT AND HOUSING</b>			
<b>Administration</b>			
Personal services	179,884	176,806	3,078
Employee benefits	91,795	91,490	305
Professional services	2,200	5,418	(3,218)
Contractual services	6,242	5,670	572
Supplies	3,635	1,995	1,640
Capital outlay	1,500	1,327	173
Travel and training	5,427	4,975	452
<b>Total Administration</b>	<b>290,683</b>	<b>287,681</b>	<b>3,002</b>
<b>Rehabilitation</b>			
Contractual services	1,301,000	1,201,288	99,712
<b>TOTAL COMMUNITY DEVELOPMENT AND HOUSING</b>	<b>1,591,683</b>	<b>1,488,969</b>	<b>102,714</b>
<b>CONSTITUTIONAL OFFICES</b>			
Clerk of the Peace	109,711	104,994	4,717
Recorder of Deeds	1,137,666	1,194,925	(57,259)
Register of Wills	263,681	284,496	(20,815)
Sheriff	495,287	409,623	85,664
<b>TOTAL CONSTITUTIONAL OFFICES</b>	<b>2,006,345</b>	<b>1,994,038</b>	<b>12,307</b>
<b>TOTAL EXPENDITURES</b>	<b>33,873,082</b>	<b>34,599,172</b>	<b>(726,090)</b>
<b>OTHER FINANCING USES</b>			
Reserved for contingencies	232,446	-	232,446
Appropriated reserves	6,254,989	-	6,254,989
Transfer out	-	13,452,552	(13,452,552)
<b>TOTAL OTHER FINANCING USES</b>	<b>6,487,435</b>	<b>13,452,552</b>	<b>(6,965,117)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 40,360,517</b>	<b>\$ 48,051,724</b>	<b>\$ (7,691,207)</b>

**SUSSEX COUNTY, DELAWARE**  
**SCHEDULE OF REVENUES AND EXPENDITURES (CONDENSED) - GENERAL FUND**  
**FOR THE TWENTY-SEVEN YEARS THROUGH JUNE 30, 2004**

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<u>Year Ended</u>	<u>Total Revenues and Other Financing Sources</u>	<u>Total Expenditures and Other Financing Uses</u>	<u>Revenues Over (Under) Expenditures</u>
June 30, 1978	\$ 3,017,587	\$ 2,944,327	\$ 73,260
June 30, 1979	3,211,534	3,327,193	(115,659)
June 30, 1980	3,412,108	4,030,506	(618,398)
June 30, 1981	4,132,559	4,514,093	(381,534)
June 30, 1982	5,396,279	5,353,716	42,563
June 30, 1983	5,960,285	5,575,652	384,633
June 30, 1984	7,368,435	6,505,440	862,995
June 30, 1985	7,195,223	7,062,005	133,218
June 30, 1986	8,092,891	7,332,618	760,273
June 30, 1987	8,083,881	8,223,857	(139,976)
June 30, 1988	8,747,945	8,038,906	709,039
June 30, 1989	8,785,091	8,498,335	286,756
June 30, 1990	9,450,906	9,813,082	(362,176)
June 30, 1991	11,194,437	10,849,623	344,814
June 30, 1992	13,638,160	12,496,815	1,141,345
June 30, 1993	15,702,048	14,788,446	913,602
June 30, 1994	17,400,655	15,609,340	1,791,315
June 30, 1995	18,691,048	16,649,804	2,041,244
June 30, 1996	19,839,629	18,335,025	1,504,604
June 30, 1997	20,657,168	18,887,201	1,769,967
June 30, 1998	22,748,561	19,577,032	3,171,529
June 30, 1999	27,986,124	21,058,512	6,927,612
June 30, 2000	31,943,432	27,905,314	4,038,118
June 30, 2001	33,372,782	30,856,476	2,516,306
June 30, 2002	40,317,598	34,062,609	6,254,989
June 30, 2003	47,788,332	35,256,669	12,531,663
June 30, 2004	59,473,814	48,051,724	11,422,090

Note: Total expenditures and other financing uses include residual equity transfers prior to fiscal year 2003.

## **CAPITAL PROJECTS FUND**

## SUSSEX COUNTY, DELAWARE

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**SCHEDULE OF CAPITAL PROJECTS FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,505,100	\$ 2,505,100	\$ -	\$ (2,505,100)
Intergovernmental	964,493	964,493	239,271	(725,222)
Miscellaneous	134,793	134,793	87,665	(47,128)
<b>TOTAL REVENUES</b>	3,604,386	3,604,386	326,936	(3,277,450)
<b>EXPENDITURES</b>				
Capital projects	3,604,386	3,604,386	1,982,196	1,622,190
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	(1,655,260)	(1,655,260)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	10,527,512	10,527,512
<b>NET CHANGE IN FUND BALANCE</b>	-	-	8,872,252	8,872,252
<b>FUND BALANCE - BEGINNING</b>	5,529,285	5,529,285	5,529,285	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 5,529,285</u>	<u>\$ 5,529,285</u>	<u>\$ 14,401,537</u>	<u>\$ 8,872,252</u>

## **ENTERPRISE FUNDS**



**SUSSEX COUNTY, DELAWARE**  
**COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2004**

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	Dewey Water	Dewey Sewer	South Bethany Sewer	Fenwick Island Sewer
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 659,826	\$ 104,572	\$ 1,245,251	\$ 1,423,206
Receivables, net of allowance for doubtful accounts:				
Service charges	27,402	32,499	8,863	7,795
Assessment, impact, connection, and expansion	2,002	869	965	1,430
Accrued interest	1,273	2,952	2,073	3,187
Miscellaneous	-	-	-	32,619
Due from other governmental agencies	-	165,492	-	2,356
Due from other funds	852	1,003	496	472
Inventory	10,393	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>701,748</b>	<b>307,387</b>	<b>1,257,648</b>	<b>1,471,065</b>
<b>NONCURRENT ASSETS</b>				
Restricted assets:				
Cash and cash equivalents	458,475	1,043,977	794,580	1,153,386
Bond issue cost, net of amortization	2,580	6,648	1,047	6,232
Net pension asset	27,695	12,589	31,052	43,641
Noncurrent accounts receivable:				
Service charges	22,314	56,494	2,112	7,815
Assessment, impact, connection, and expansion	1,944	933	28	253
Capital assets:				
Land, improvements, and construction in progress	35,766	99,480	92,523	76,849
Other capital assets, net of depreciation	1,896,075	3,671,082	5,357,412	6,644,038
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,444,849</b>	<b>4,891,203</b>	<b>6,278,754</b>	<b>7,932,214</b>
<b>TOTAL ASSETS</b>	<b>3,146,597</b>	<b>5,198,590</b>	<b>7,536,402</b>	<b>9,403,279</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other current liabilities	50,396	4,630	8,025	1,643
Accrued interest payable	5,096	8,336	1,972	9,370
Due to other funds	139,247	123,738	83,019	91,992
Deposits	755	2,000	-	-
Notes payable	-	415,898	-	-
Current portion of long-term liabilities	312,225	184,252	109,023	117,336
<b>TOTAL CURRENT LIABILITIES</b>	<b>507,719</b>	<b>738,854</b>	<b>202,039</b>	<b>220,341</b>
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<b>330,753</b>	<b>749,163</b>	<b>146,651</b>	<b>937,442</b>
<b>TOTAL LIABILITIES</b>	<b>838,472</b>	<b>1,488,017</b>	<b>348,690</b>	<b>1,157,783</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,316,859	2,434,210	5,225,189	5,709,803
Restricted for construction and debt service	458,475	1,043,977	794,580	1,153,386
Unrestricted	532,791	232,386	1,167,943	1,382,307
<b>TOTAL NET ASSETS</b>	<b>\$ 2,308,125</b>	<b>\$ 3,710,573</b>	<b>\$ 7,187,712</b>	<b>\$ 8,245,496</b>

(continued)

SUSSEX COUNTY, DELAWARE  
COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS - CONTINUED  
JUNE 30, 2004

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ASSETS	Blades Sewer	Henlopen Sewer	Dagsboro- Frankford Sewer	Holts Landing Sewer
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 339,117	\$ 39,929	\$ 516,652	\$ 457,609
Receivables, net of allowance for doubtful accounts:				
Service charges	20,945	1,409	19,485	453
Assessment, impact, connection, and expansion	3,034	-	13,829	2,394
Accrued interest	161	88	843	225
Miscellaneous	-	1	4,618	-
Due from other governmental agencies	-	16,883	-	-
Due from other funds	166	37	104	17
Inventory	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>363,423</u>	<u>58,347</u>	<u>555,531</u>	<u>460,698</u>
<b>NONCURRENT ASSETS</b>				
Restricted assets:				
Cash and cash equivalents	63,552	29,808	1,405,611	56,887
Bond issue cost, net of amortization	793	1,334	17,606	2,527
Net pension asset	7,553	3,357	21,820	13,428
Noncurrent accounts receivable:				
Service charges	90,814	-	63,009	-
Assessment, impact, connection, and expansion	3,412	-	11,968	358
Capital assets:				
Land, improvements, and construction in progress	78,402	4,273	4,929,505	919,577
Other capital assets, net of depreciation	1,553,168	1,384,251	6,539,934	1,919,857
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,797,694</u>	<u>1,423,023</u>	<u>12,989,453</u>	<u>2,912,634</u>
<b>TOTAL ASSETS</b>	<u>2,161,117</u>	<u>1,481,370</u>	<u>13,544,984</u>	<u>3,373,332</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other current liabilities	9,470	231	11,553	62,514
Accrued interest payable	1,203	2,164	11,750	83,147
Due to other funds	32,723	6,214	4,325,856	192,575
Deposits	-	-	-	-
Notes payable	-	-	-	-
Current portion of long-term liabilities	16,075	23,756	35,267	6,462
<b>TOTAL CURRENT LIABILITIES</b>	<u>59,471</u>	<u>32,365</u>	<u>4,384,426</u>	<u>344,698</u>
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<u>119,907</u>	<u>203,331</u>	<u>1,229,644</u>	<u>2,624,967</u>
<b>TOTAL LIABILITIES</b>	<u>179,378</u>	<u>235,696</u>	<u>5,614,070</u>	<u>2,969,665</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,503,323	1,164,491	7,353,871	61,838
Restricted for construction and debt service	63,552	29,808	1,397,744	3,225
Unrestricted	414,864	51,375	(820,701)	338,604
<b>TOTAL NET ASSETS</b>	<u>\$ 1,981,739</u>	<u>\$ 1,245,674</u>	<u>\$ 7,930,914</u>	<u>\$ 403,667</u>

(continued)

SUSSEX COUNTY, DELAWARE  
COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS - CONTINUED  
JUNE 30, 2004

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	Ellendale Sewer	Oak Orchard Sewer	Bayview Estates Sewer	Sea Country Estates Sewer
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 145,230	\$ -	\$ -	\$ -
Receivables, net of allowance for doubtful accounts:				
Service charges	3,555	-	-	-
Assessment, impact, connection, and expansion	14,600	-	-	-
Accrued interest	26	-	-	-
Miscellaneous	-	-	-	-
Due from other governmental agencies	390,345	-	-	-
Due from other funds	27	-	-	-
Inventory	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>553,783</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NONCURRENT ASSETS</b>				
Restricted assets:				
Cash and cash equivalents	26,264	435,132	4,292	55,815
Bond issue cost, net of amortization	14,423	5,896	3,116	346
Net pension asset	7,553	-	-	-
Noncurrent accounts receivable:				
Service charges	-	-	-	-
Assessment, impact, connection, and expansion	-	-	-	-
Capital assets:				
Land, improvements, and construction in progress	73,436	1,765,696	172,127	51,452
Other capital assets, net of depreciation	8,786,034	-	-	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>8,907,710</b>	<b>2,206,724</b>	<b>179,535</b>	<b>107,613</b>
<b>TOTAL ASSETS</b>	<b>9,461,493</b>	<b>2,206,724</b>	<b>179,535</b>	<b>107,613</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other current liabilities	111,399	41,305	11,942	3,981
Accrued interest payable	1,089	605	149	-
Due to other funds	1,067,595	3,976	11,730	632
Deposits	-	-	-	-
Notes payable	-	-	-	-
Current portion of long-term liabilities	125,668	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,305,751</b>	<b>45,886</b>	<b>23,821</b>	<b>4,613</b>
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<b>4,603,274</b>	<b>497,808</b>	<b>44,714</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>5,909,025</b>	<b>543,694</b>	<b>68,535</b>	<b>4,613</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,138,243	1,267,888	127,413	51,452
Restricted for construction and debt service	-	395,312	-	51,834
Unrestricted	(585,775)	(170)	(16,413)	(286)
<b>TOTAL NET ASSETS</b>	<b>\$ 3,552,468</b>	<b>\$ 1,663,030</b>	<b>\$ 111,000</b>	<b>\$ 103,000</b>

(continued)

SUSSEX COUNTY, DELAWARE  
COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS - CONTINUED  
JUNE 30, 2004

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ASSETS	Millers Creek Sewer	South Ocean View Sewer	Totals
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 28,692	\$ -	\$ 4,960,084
Receivables, net of allowance for doubtful accounts:			
Service charges	-	-	122,406
Assessment, impact, connection, and expansion	-	-	39,123
Accrued interest	7	-	10,835
Miscellaneous	-	-	37,238
Due from other governmental agencies	-	-	575,076
Due from other funds	-	-	3,174
Inventory	-	-	10,393
<b>TOTAL CURRENT ASSETS</b>	<b>28,699</b>	<b>-</b>	<b>5,758,329</b>
<b>NONCURRENT ASSETS</b>			
Restricted assets:			
Cash and cash equivalents	11,038	18,270	5,557,087
Bond issue cost, net of amortization	4,243	-	66,791
Net pension asset	-	-	168,688
Noncurrent accounts receivable:			
Service charges	-	-	242,558
Assessment, impact, connection, and expansion	-	-	18,896
Capital assets:			
Land, improvements, and construction in progress	59,185	32,338	8,390,609
Other capital assets, net of depreciation	-	-	37,751,851
<b>TOTAL NONCURRENT ASSETS</b>	<b>74,466</b>	<b>50,608</b>	<b>52,196,480</b>
<b>TOTAL ASSETS</b>	<b>103,165</b>	<b>50,608</b>	<b>57,954,809</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other current liabilities	923	496	318,508
Accrued interest payable	40	-	124,921
Due to other funds	24,438	112	6,103,847
Deposits	-	-	2,755
Notes payable	-	-	415,898
Current portion of long-term liabilities	-	-	930,064
<b>TOTAL CURRENT LIABILITIES</b>	<b>25,401</b>	<b>608</b>	<b>7,895,993</b>
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<b>12,064</b>	<b>-</b>	<b>11,499,718</b>
<b>TOTAL LIABILITIES</b>	<b>37,465</b>	<b>608</b>	<b>19,395,711</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	22,921	32,338	30,409,839
Restricted for construction and debt service	10,115	17,774	5,419,782
Unrestricted	32,664	(112)	2,729,477
<b>TOTAL NET ASSETS</b>	<b>\$ 65,700</b>	<b>\$ 50,000</b>	<b>\$ 38,559,098</b>

## SUSSEX COUNTY, DELAWARE

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COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
 NONMAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004

	Dewey Water	Dewey Sewer	South Bethany Sewer	Fenwick Island Sewer
<b>OPERATING REVENUES</b>				
Charges for services	\$ 516,369	\$ 873,775	\$ 231,929	\$ 223,268
Other operating revenues	30,048	8,254	173,938	390,934
<b>TOTAL OPERATING REVENUES</b>	<b>546,417</b>	<b>882,029</b>	<b>405,867</b>	<b>614,202</b>
<b>OPERATING EXPENSES</b>				
Amortization	1,935	4,371	908	7,264
Contract services	356,672	25,186	21,569	19,564
Depreciation	115,990	309,248	157,948	214,637
Employee benefits	39,403	20,655	52,574	51,803
Equipment and tools	4,018	8,493	9,968	6,443
Maintenance and repairs	11,084	5,343	9,787	14,686
Miscellaneous	1,638	8,687	-	-
Process chemicals	-	-	809	1,002
Professional services	737	5,673	1,827	1,046
Salaries	109,093	42,827	107,363	169,995
Shared costs - operating	50,285	58,188	59,802	47,620
Supplies	12,011	10,884	217	340
Training and travel	24,376	24,807	-	7
Wastewater treatment	-	480,957	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>727,242</b>	<b>1,005,319</b>	<b>422,772</b>	<b>534,407</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(180,825)</b>	<b>(123,290)</b>	<b>(16,905)</b>	<b>79,795</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	18,918	25,744	24,649	30,667
Disposition of assets	-	-	(9,231)	(3,355)
Assessment and connection fees	266,283	150,321	235,961	290,296
Miscellaneous	37,480	-	-	-
Interest expense	(20,681)	(54,432)	(9,809)	(48,761)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>302,000</b>	<b>121,633</b>	<b>241,570</b>	<b>268,847</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>121,175</b>	<b>(1,657)</b>	<b>224,665</b>	<b>348,642</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>28,903</b>	<b>6,545</b>	<b>560,959</b>	<b>628,021</b>
<b>TRANSFERS IN</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>150,078</b>	<b>4,888</b>	<b>785,624</b>	<b>1,176,663</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>2,158,047</b>	<b>3,705,685</b>	<b>6,402,088</b>	<b>7,068,833</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 2,308,125</b>	<b>\$ 3,710,573</b>	<b>\$ 7,187,712</b>	<b>\$ 8,245,496</b>

(continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
 NONMAJOR PROPRIETARY FUNDS - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2004

	Blades Sewer	Henlopen Sewer	Dagsboro- Frankford Sewer	Holts Landing Sewer
<b>OPERATING REVENUES</b>				
Charges for services	\$ 129,162	\$ 77,366	\$ 199,680	\$ 13,264
Other operating revenues	2,268	678	23,545	28,270
<b>TOTAL OPERATING REVENUES</b>	<b>131,430</b>	<b>78,044</b>	<b>223,225</b>	<b>41,534</b>
<b>OPERATING EXPENSES</b>				
Amortization	929	1,604	637	140
Contract services	8,002	3,545	42,093	3,721
Depreciation	98,376	53,686	347,509	56,155
Employee benefits	11,610	4,888	35,529	21,473
Equipment and tools	500	7,935	7,039	-
Maintenance and repairs	70,106	725	4,550	2,243
Miscellaneous	1,025	422	1,867	-
Process chemicals	-	-	2,720	-
Professional services	-	322	1,623	-
Salaries	25,716	7,716	77,295	44,121
Shared costs - operating	5,836	875	8,710	903
Supplies	1,595	608	7,238	-
Training and travel	3,642	1,382	6,432	-
Wastewater treatment	109,387	52,251	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>336,724</b>	<b>135,959</b>	<b>543,242</b>	<b>128,756</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(205,294)</b>	<b>(57,915)</b>	<b>(320,017)</b>	<b>(87,222)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	11,260	1,280	28,629	7,016
Disposition of assets	(2,276)	-	-	-
Assessment and connection fees	39,853	25,844	430,296	202,885
Miscellaneous	-	-	300	-
Interest expense	(6,498)	(3,915)	(56,631)	(30,120)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>42,339</b>	<b>23,209</b>	<b>402,594</b>	<b>179,781</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(162,955)</b>	<b>(34,706)</b>	<b>82,577</b>	<b>92,559</b>
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	3,494
<b>TRANSFERS IN</b>	<b>67,000</b>	<b>-</b>	<b>500,000</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(95,955)</b>	<b>(34,706)</b>	<b>582,577</b>	<b>96,053</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>2,077,694</b>	<b>1,280,380</b>	<b>7,348,337</b>	<b>307,614</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 1,981,739</b>	<b>\$ 1,245,674</b>	<b>\$ 7,930,914</b>	<b>\$ 403,667</b>

(continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
 NONMAJOR PROPRIETARY FUNDS - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2004

	Ellendale Sewer	Oak Orchard Sewer	Bayview Estates Sewer	Sea Country Estates Sewer
<b>OPERATING REVENUES</b>				
Charges for services	\$ 21,153	\$ -	\$ -	\$ -
Other operating revenues	32,250	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>53,403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>				
Amortization	759	-	-	-
Contract services	3,669	-	-	-
Depreciation	71,012	-	-	-
Employee benefits	8,927	-	-	-
Equipment and tools	215	-	-	-
Maintenance and repairs	66	-	-	-
Miscellaneous	112	-	-	-
Process chemicals	-	-	-	-
Professional services	274	-	-	-
Salaries	34,673	-	-	-
Shared costs - operating	1,379	-	-	-
Supplies	728	-	-	-
Training and travel	1,658	-	-	-
Wastewater treatment	6,564	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>130,036</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(76,633)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	1,359	-	-	-
Disposition of assets	-	-	-	-
Assessment and connection fees	108,086	-	-	-
Miscellaneous	-	-	-	-
Interest expense	(81,438)	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>28,007</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(48,626)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>2,045,595</b>	<b>300,829</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS IN</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,196,969</b>	<b>300,829</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>1,355,499</b>	<b>1,362,201</b>	<b>111,000</b>	<b>103,000</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 3,552,468</b>	<b>\$ 1,663,030</b>	<b>\$ 111,000</b>	<b>\$ 103,000</b>

(continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
 NONMAJOR PROPRIETARY FUNDS - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2004

	Millers Creek Sewer	South Ocean View Sewer	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ -	\$ 2,285,966
Other operating revenues	25,135	-	715,320
<b>TOTAL OPERATING REVENUES</b>	<u>25,135</u>	<u>-</u>	<u>3,001,286</u>
<b>OPERATING EXPENSES</b>			
Amortization	-	-	18,547
Contract services	-	-	484,021
Depreciation	-	-	1,424,561
Employee benefits	-	-	246,862
Equipment and tools	-	-	44,611
Maintenance and repairs	-	-	118,590
Miscellaneous	-	-	13,751
Process chemicals	-	-	4,531
Professional services	-	-	11,502
Salaries	-	-	618,799
Shared costs - operating	-	-	233,598
Supplies	-	-	33,621
Training and travel	-	-	62,304
Wastewater treatment	-	-	649,159
<b>TOTAL OPERATING EXPENSES</b>	<u>-</u>	<u>-</u>	<u>3,964,457</u>
<b>OPERATING INCOME (LOSS)</b>	<u>25,135</u>	<u>-</u>	<u>(963,171)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	112	-	149,634
Disposition of assets	-	-	(14,862)
Assessment and connection fees	-	-	1,749,825
Miscellaneous	-	-	37,780
Interest expense	-	-	(312,285)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>112</u>	<u>-</u>	<u>1,610,092</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>25,247</u>	<u>-</u>	<u>646,921</u>
<b>CAPITAL CONTRIBUTIONS</b>	-	-	3,574,346
<b>TRANSFERS IN</b>	<u>-</u>	<u>-</u>	<u>967,000</u>
<b>CHANGE IN NET ASSETS</b>	<u>25,247</u>	<u>-</u>	<u>5,188,267</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>40,453</u>	<u>50,000</u>	<u>33,370,831</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 65,700</u>	<u>\$ 50,000</u>	<u>\$ 38,559,098</u>



**SUSSEX COUNTY, DELAWARE**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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	<b>Dewey Water</b>	<b>Dewey Sewer</b>	<b>South Bethany Sewer</b>	<b>Fenwick Island Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 536,783	\$ 908,453	\$ 232,248	\$ 226,399
Payments to suppliers	(453,912)	(659,604)	(98,604)	(101,212)
Payments to employees	(154,051)	(66,281)	(168,500)	(228,220)
Other receipts (payments)	63,788	3,909	173,938	390,934
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(7,392)</b>	<b>186,477</b>	<b>139,082</b>	<b>287,901</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances from (to) other funds, net	3,674	(8,006)	(29,554)	9,691
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(14,376)	(17,624)	(3)	(3,709)
Net payments on line of credit	-	(128,000)	-	-
Retirement of bonds and related costs	(317,544)	(188,241)	(100,131)	(221,519)
Bond proceeds	-	-	-	-
Assessment and connection fees	267,095	150,565	235,317	290,535
Capital contributions	-	-	-	1,985
Interest paid	(29,994)	(53,599)	(11,194)	(53,152)
Payments for bond issue costs	-	-	-	-
Transfers from other funds for capital activities	-	-	-	200,000
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(94,819)</b>	<b>(236,899)</b>	<b>123,989</b>	<b>214,140</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	17,935	23,503	23,139	28,164
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(80,602)</b>	<b>(34,925)</b>	<b>256,656</b>	<b>539,896</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>1,198,903</b>	<b>1,183,474</b>	<b>1,783,175</b>	<b>2,036,696</b>
<b>CASH AND EQUIVALENTS - ENDING</b>	<b>\$ 1,118,301</b>	<b>\$ 1,148,549</b>	<b>\$ 2,039,831</b>	<b>\$ 2,576,592</b>
Cash and cash equivalents	\$ 659,826	\$ 104,572	\$ 1,245,251	\$ 1,423,206
Restricted cash and cash equivalents	458,475	1,043,977	794,580	1,153,386
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,118,301</b>	<b>\$ 1,148,549</b>	<b>\$ 2,039,831</b>	<b>\$ 2,576,592</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (180,825)	\$ (123,290)	\$ (16,905)	\$ 79,795
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation and amortization	117,925	313,619	158,856	221,901
Miscellaneous income	37,480	-	-	-
Changes in assets and liabilities:				
Accounts receivable	20,414	34,678	319	3,131
Due from other governments	3,400	(18,665)	-	-
Inventory	(118)	-	-	-
Net pension asset	(11,965)	(4,170)	(8,510)	(26,250)
Compensated absences	6,410	1,371	(53)	19,828
Accounts payable	3,627	(12,721)	5,375	(10,504)
Deposits	(3,740)	(4,345)	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (7,392)</b>	<b>\$ 186,477</b>	<b>\$ 139,082</b>	<b>\$ 287,901</b>
<b>NONCASH TRANSACTIONS</b>				
Contributed property	\$ 28,903	\$ 6,545	\$ 560,959	\$ 623,122

(continued)

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2004

	Blades Sewer	Henlopen Sewer	Dagsboro- Frankford Sewer	Holts Landing Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 121,678	\$ 76,889	\$ 196,855	\$ 13,014
Payments to suppliers	(192,188)	(75,570)	(83,840)	(6,867)
Payments to employees	(39,012)	(14,222)	(119,463)	(69,806)
Other receipts (payments)	2,268	678	23,845	28,270
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(107,254)</b>	<b>(12,225)</b>	<b>17,397</b>	<b>(35,389)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances from (to) other funds, net	190	(5,716)	4,201,156	71,993
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,137)	(814)	(4,658,331)	(866,180)
Net payments on line of credit	-	-	-	-
Retirement of bonds and related costs	(27,289)	(23,384)	(25,000)	-
Bond proceeds	-	-	-	743,887
Assessment and connection fees	40,627	25,844	428,202	201,537
Capital contributions	-	-	-	3,494
Interest paid	(6,759)	(10,715)	(56,262)	-
Payments for bond issue costs	-	-	-	-
Transfers from other funds for capital activities	67,000	-	500,000	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>71,442</b>	<b>(9,069)</b>	<b>(3,811,391)</b>	<b>82,738</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	11,150	1,215	28,013	6,848
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(24,472)</b>	<b>(25,795)</b>	<b>435,175</b>	<b>126,190</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>427,141</b>	<b>95,532</b>	<b>1,487,088</b>	<b>388,306</b>
<b>CASH AND EQUIVALENTS - ENDING</b>	<b>\$ 402,669</b>	<b>\$ 69,737</b>	<b>\$ 1,922,263</b>	<b>\$ 514,496</b>
Cash and cash equivalents	\$ 339,117	\$ 39,929	\$ 516,652	\$ 457,609
Restricted cash and cash equivalents	63,552	29,808	1,405,611	56,887
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 402,669</b>	<b>\$ 69,737</b>	<b>\$ 1,922,263</b>	<b>\$ 514,496</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (205,294)	\$ (57,915)	\$ (320,017)	\$ (87,222)
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation and amortization	99,305	55,290	348,146	56,295
Miscellaneous income	-	-	300	-
Changes in assets and liabilities:				
Accounts receivable	(7,484)	(477)	(2,825)	(250)
Due from other governments	-	(1,718)	4,101	-
Inventory	-	-	-	-
Net pension asset	(2,513)	243	(4,761)	(1,907)
Compensated absences	827	(1,861)	(1,878)	(2,305)
Accounts payable	7,905	(5,787)	(5,669)	-
Deposits	-	-	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (107,254)</b>	<b>\$ (12,225)</b>	<b>\$ 17,397</b>	<b>\$ (35,389)</b>
<b>NONCASH TRANSACTIONS</b>				
Contributed property	\$ -	\$ -	\$ -	\$ -

(continued)

**SUSSEX COUNTY, DELAWARE**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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	<b>Ellendale Sewer</b>	<b>Oak Orchard Sewer</b>	<b>Bayview Estates Sewer</b>	<b>Sea Country Estates Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 12,965	\$ -	\$ -	\$ -
Payments to suppliers	(14,665)	-	-	-
Payments to employees	(43,438)	-	-	-
Other receipts (payments)	32,250	-	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(12,888)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances from (to) other funds, net	(4,334,418)	(2,296)	8,030	(5,289)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(1,806,679)	(545,608)	(108,627)	(38,531)
Net payments on line of credit	-	-	-	-
Retirement of bonds and related costs	(40,702)	-	-	-
Bond proceeds	4,349,525	44,001	-	-
Assessment and connection fees	108,086	-	-	-
Capital contributions	1,768,336	568,788	-	-
Interest paid	(86,693)	(415)	-	-
Payments for bond issue costs	(4,334)	(4,611)	-	-
Transfers from other funds for capital activities	200,000	-	-	-
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>4,487,539</b>	<b>62,155</b>	<b>(108,627)</b>	<b>(38,531)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	1,333	-	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>141,566</b>	<b>59,859</b>	<b>(100,597)</b>	<b>(43,820)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>29,928</b>	<b>375,273</b>	<b>104,889</b>	<b>99,635</b>
<b>CASH AND EQUIVALENTS - ENDING</b>	<b>\$ 171,494</b>	<b>\$ 435,132</b>	<b>\$ 4,292</b>	<b>\$ 55,815</b>
Cash and cash equivalents	\$ 145,230	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	26,264	435,132	4,292	55,815
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 171,494</b>	<b>\$ 435,132</b>	<b>\$ 4,292</b>	<b>\$ 55,815</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (76,633)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided:				
Depreciation and amortization	71,771	-	-	-
Miscellaneous income	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable	(8,188)	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Net pension asset	(7,553)	-	-	-
Compensated absences	7,715	-	-	-
Accounts payable	-	-	-	-
Deposits	-	-	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (12,888)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NONCASH TRANSACTIONS</b>				
Contributed property	\$ -	\$ -	\$ -	\$ -

(continued)

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Millers Creek Sewer	South Ocean View Sewer	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ -	\$ 2,325,284
Payments to suppliers	-	-	(1,686,462)
Payments to employees	-	-	(902,993)
Other receipts (payments)	25,135	-	745,015
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>25,135</b>	<b>-</b>	<b>480,844</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances from (to) other funds, net	(25,106)	4	(115,647)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(2,194)	(2,610)	(8,067,423)
Net payments on line of credit	-	-	(128,000)
Retirement of bonds and related costs	-	-	(943,810)
Bond proceeds	-	-	5,137,413
Assessment and connection fees	-	-	1,747,808
Capital contributions	-	-	2,342,603
Interest paid	-	-	(308,783)
Payments for bond issue costs	-	-	(8,945)
Transfers from other funds for capital activities	-	-	967,000
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,194)</b>	<b>(2,610)</b>	<b>737,863</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	105	-	141,405
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,060)</b>	<b>(2,606)</b>	<b>1,244,465</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>41,790</b>	<b>20,876</b>	<b>9,272,706</b>
<b>CASH AND EQUIVALENTS - ENDING</b>	<b>\$ 39,730</b>	<b>\$ 18,270</b>	<b>\$ 10,517,171</b>
Cash and cash equivalents	\$ 28,692	\$ -	\$ 4,960,084
Restricted cash and cash equivalents	11,038	18,270	5,557,087
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 39,730</b>	<b>\$ 18,270</b>	<b>\$ 10,517,171</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 25,135	\$ -	\$ (963,171)
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation and amortization	-	-	1,443,108
Miscellaneous income	-	-	37,780
Changes in assets and liabilities:			
Accounts receivable	-	-	39,318
Due from other governments	-	-	(12,882)
Inventory	-	-	(118)
Net pension asset	-	-	(67,386)
Compensated absences	-	-	30,054
Accounts payable	-	-	(17,774)
Deposits	-	-	(8,085)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 25,135</b>	<b>\$ -</b>	<b>\$ 480,844</b>
<b>NONCASH TRANSACTIONS</b>			
Contributed property	\$ -	\$ -	\$ 1,219,529

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**SUSSEX COUNTY, DELAWARE**

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**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS****SCHEDULE BY SOURCES****AS OF JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS</b>		
Land	\$ 4,463,890	\$ 4,337,775
Buildings	11,796,947	11,776,347
Improvements other than buildings	7,975,844	6,814,303
Equipment	8,741,127	8,747,739
Construction in progress	<u>2,208,730</u>	<u>1,467,078</u>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u><u>\$ 35,186,538</u></u>	<u><u>\$ 33,143,242</u></u>
<b>INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE</b>		
General fund	\$ 12,532,947	\$ 11,677,517
General obligation bonds	9,533,105	9,533,105
Federal grants	7,186,654	6,232,999
State grants	3,526,280	3,298,450
Donated	<u>2,407,552</u>	<u>2,401,171</u>
<b>TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u><u>\$ 35,186,538</u></u>	<u><u>\$ 33,143,242</u></u>

SUSSEX COUNTY, DELAWARE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
AS OF JUNE 30, 2004

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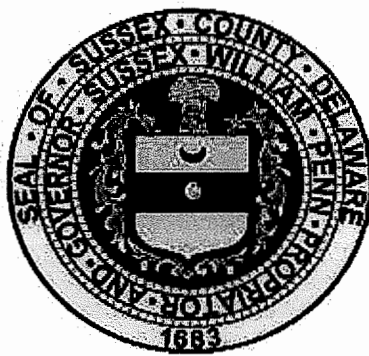
Function and Activity	Total	Land	Buildings	Improvements Other Than Buildings	Equipment
<b>GENERAL GOVERNMENT</b>					
General Administration	\$ 11,660,497	\$ 2,324,526	\$ 7,631,579	\$ 141,071	\$ 1,563,321
Planning and Zoning	145,838	-	-	-	145,838
<b>TOTAL GENERAL GOVERNMENT</b>	<b>11,806,335</b>	<b>2,324,526</b>	<b>7,631,579</b>	<b>141,071</b>	<b>1,709,159</b>
<b>PUBLIC SAFETY</b>					
Paramedic Program	2,884,619	-	104,988	8,366	2,771,265
Emergency Dispatch	3,552,000	-	737,057	263,390	2,551,553
<b>TOTAL PUBLIC SAFETY</b>	<b>6,436,619</b>	<b>-</b>	<b>842,045</b>	<b>271,756</b>	<b>5,322,818</b>
<b>SPECIAL SERVICES</b>					
Public Works and Industrial Park	3,720,053	752,368	5,125	2,641,685	320,875
Airport	8,165,209	1,011,996	2,340,073	4,539,620	273,520
<b>TOTAL SPECIAL SERVICES</b>	<b>11,885,262</b>	<b>1,764,364</b>	<b>2,345,198</b>	<b>7,181,305</b>	<b>594,395</b>
<b>COMMUNITY SERVICES</b>					
Library	2,613,595	375,000	978,125	381,712	878,758
Community Development	5,691	-	-	-	5,691
Constitutional Offices	230,306	-	-	-	230,306
<b>TOTAL COMMUNITY SERVICES</b>	<b>2,849,592</b>	<b>375,000</b>	<b>978,125</b>	<b>381,712</b>	<b>1,114,755</b>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS ALLOCATED TO FUNCTIONS</b>	<b>32,977,808</b>	<b>\$ 4,463,890</b>	<b>\$ 11,796,947</b>	<b>\$ 7,975,844</b>	<b>\$ 8,741,127</b>
<b>CONSTRUCTION IN PROGRESS</b>	<b>2,208,730</b>				
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 35,186,538</b>				

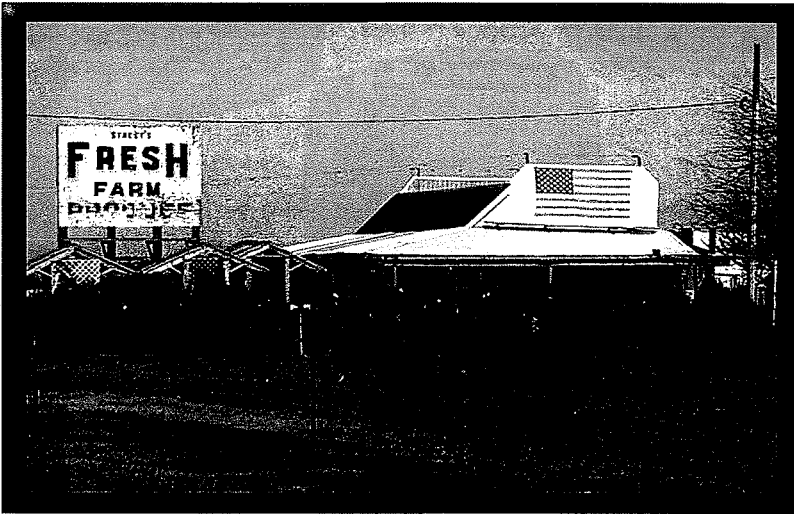
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets June 30, 2003</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2004</b>
<b>GENERAL GOVERNMENT</b>				
General Administration	\$ 11,894,873	\$ 321,773	\$ 556,149	\$ 11,660,497
Planning and Zoning	133,845	11,993	-	145,838
<b>TOTAL GENERAL GOVERNMENT</b>	<b>12,028,718</b>	<b>333,766</b>	<b>556,149</b>	<b>11,806,335</b>
<b>PUBLIC SAFETY</b>				
Paramedic Program	2,649,195	355,431	120,007	2,884,619
Emergency Dispatch	3,439,001	144,091	31,092	3,552,000
<b>TOTAL PUBLIC SAFETY</b>	<b>6,088,196</b>	<b>499,522</b>	<b>151,099</b>	<b>6,436,619</b>
<b>SPECIAL SERVICES</b>				
Public Works and Industrial Park	3,693,578	55,169	28,694	3,720,053
Airport	7,110,335	1,054,874	-	8,165,209
<b>TOTAL SPECIAL SERVICES</b>	<b>10,803,913</b>	<b>1,110,043</b>	<b>28,694</b>	<b>11,885,262</b>
<b>COMMUNITY SERVICES</b>				
Library	2,484,712	162,751	33,868	2,613,595
Community Development	5,691	-	-	5,691
Constitutional Offices	264,934	31,315	65,943	230,306
<b>TOTAL COMMUNITY SERVICES</b>	<b>2,755,337</b>	<b>194,066</b>	<b>99,811</b>	<b>2,849,592</b>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS ALLOCATED TO FUNCTIONS</b>	<b>31,676,164</b>	<b>2,137,397</b>	<b>835,753</b>	<b>32,977,808</b>
<b>CONSTRUCTION IN PROGRESS</b>	<b>1,467,078</b>	<b>1,608,438</b>	<b>866,786</b>	<b>2,208,730</b>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 33,143,242</b>	<b>\$ 3,745,835</b>	<b>\$ 1,702,539</b>	<b>\$ 35,186,538</b>

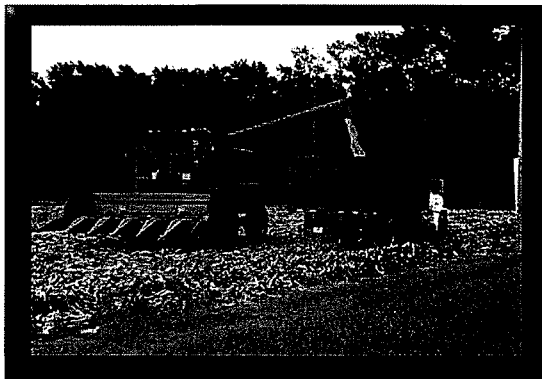
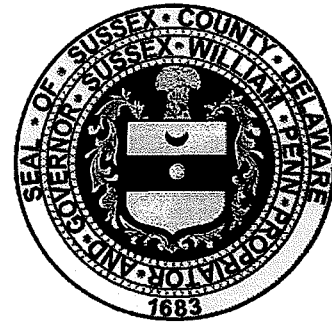
Note: Capital asset additions and deductions include transfers of assets between activities.



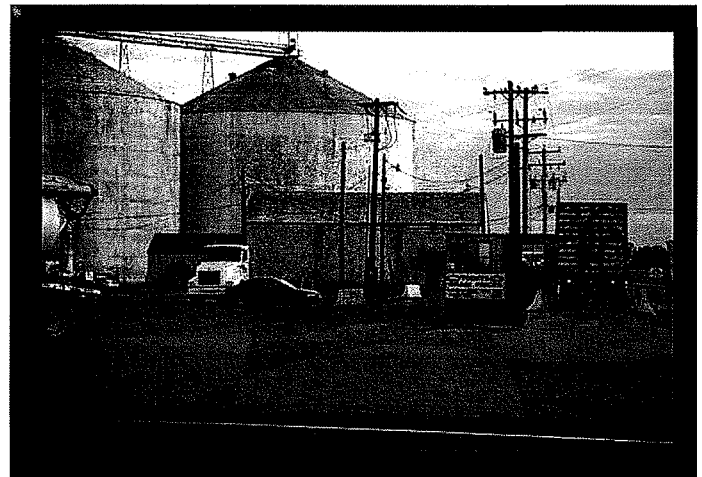




Fresh produce stand



Combine harvesting corn



Sussex granary at poultry processing plant



Sussex poultry house and farm

## STATISTICAL SECTION

**SUSSEX COUNTY, DELAWARE  
GOVERNMENT-WIDE EXPENSES BY FUNCTION  
LAST TWO FISCAL YEARS**

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	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2003</b>
<b>EXPENSES</b>		
General Government	\$ 9,622,999	\$ 8,416,614
Grant-in-aid programs	6,892,065	4,120,039
Planning and zoning	1,012,053	917,317
Paramedic program	6,840,784	5,914,818
Emergency preparedness	1,889,708	1,726,567
Economic development and public works	428,025	423,154
County engineer	1,079,543	1,418,560
Airport	532,414	375,629
Engineering - solid waste	33,544	1,956,518
Library	2,729,492	2,780,506
Community development and housing programs	1,488,969	1,522,300
Constitutional offices	1,985,946	1,728,453
Sewer facilities	18,676,091	19,264,562
Water facilities	747,923	771,541
<b>TOTAL EXPENSES</b>	<b>\$ 53,959,556</b>	<b>\$ 51,336,578</b>

Notes:

1. GASBS No. 34 was adopted in fiscal year 2003. Information is not available for fiscal year 1995 through 2002.
2. Government-wide expenses by function includes general, capital projects and enterprise funds.

**SUSSEX COUNTY, DELAWARE  
GOVERNMENT-WIDE REVENUES  
LAST TWO FISCAL YEARS**

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	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2003</b>
<b>PROGRAM REVENUES</b>		
Charges for services	\$ 24,242,511	\$ 21,534,241
Operating grants and contributions	22,824,111	21,098,552
Capital grants and contributions	15,432,078	7,617,530
Taxes	38,716,066	28,539,817
<b>GENERAL REVENUES</b>		
Unrestricted investment earnings	892,938	1,080,720
<b>TOTAL REVENUES</b>	<b>\$ 102,107,704</b>	<b>\$ 79,870,860</b>

Notes:

1. GASBS No. 34 was adopted in fiscal year 2003. Information is not available for fiscal year 1995 through 2002.
2. Government-wide revenues includes general, capital projects and enterprise funds

**SUSSEX COUNTY, DELAWARE  
GENERAL GOVERNMENTAL EXPENDITURES, OTHER FINANCING USES BY FUNCTION  
LAST TEN FISCAL YEARS**

Fiscal Year	General Administration	% of Total	Grant-In-Aid Programs	% of Total	Planning and Zoning	% of Total	Paramedic Program	% of Total	Emergency Preparedness	% of Total	Public Works and Industrial Park	% of Total	Airport	% of Total
1995	\$ 4,681,652	25.7%	\$ 1,000,020	5.5%	\$ 574,425	3.2%	\$ 2,975,603	16.3%	\$ 733,296	4.0%	\$ 1,451,795	8.0%	\$ 1,787,691	9.8%
1996	6,586,570	28.7%	1,481,279	6.5%	606,444	2.6%	3,503,883	15.3%	801,320	3.5%	1,126,697	4.9%	418,495	1.8%
1997	6,043,170	27.8%	1,707,114	7.8%	746,685	3.4%	3,401,002	15.6%	906,441	4.2%	1,697,142	7.8%	78,560	0.4%
1998	6,073,649	27.4%	1,862,687	8.5%	741,659	3.4%	3,496,269	15.9%	1,070,361	4.9%	1,603,616	7.3%	363,389	1.7%
1999	6,118,132	27.8%	2,440,555	11.1%	643,718	2.9%	3,717,452	16.9%	1,163,924	5.3%	1,278,507	5.8%	322,306	1.5%
2000	7,725,356	27.0%	3,403,300	11.9%	664,925	2.3%	4,220,049	14.7%	1,287,210	4.5%	1,322,991	4.6%	670,140	2.3%
2001	7,227,880	20.8%	3,459,386	10.0%	784,695	2.3%	5,145,550	14.8%	1,775,182	5.1%	1,861,327	5.4%	269,526	0.8%
2002	8,592,202	24.5%	3,519,133	10.1%	795,443	2.3%	5,656,071	16.2%	1,606,029	4.6%	1,811,328	5.2%	1,559,296	4.5%
2003	9,454,480	26.4%	4,120,039	11.6%	956,181	2.7%	6,153,005	17.3%	1,472,323	4.1%	1,898,765	5.3%	342,964	1.0%
2004	10,071,924	20.1%	6,892,065	13.8%	991,821	2.0%	6,884,569	13.8%	1,728,428	3.5%	1,569,011	3.1%	252,589	0.5%

Fiscal Year	Library	% of Total	Community Development	% of Total	Constitutional Offices	% of Total	Capital Projects	% of Total	Long-Term Debt Payments	% of Total	Other Financing Uses	% of Total	Total
1995	\$ 1,444,417	7.9%	\$ 1,078,608	5.9%	\$ 922,297	5.1%	\$ 976,340	5.4%	\$ 582,812	3.2%	\$ -	0.0%	\$ 18,208,956
1996	1,616,560	7.0%	1,240,079	5.4%	953,698	4.2%	4,039,758	17.6%	584,123	2.5%	-	0.0%	22,958,906
1997	2,089,282	9.6%	1,146,953	5.3%	1,070,852	4.9%	2,182,558	10.0%	705,134	3.2%	-	0.0%	21,774,893
1998	2,082,006	9.5%	1,136,839	5.2%	1,146,557	5.2%	657,694	3.0%	1,751,003	8.0%	-	0.0%	21,985,729
1999	2,013,709	9.2%	1,142,642	5.2%	1,252,479	5.7%	177,027	0.8%	751,251	3.4%	964,888	4.4%	21,986,790
2000	1,999,868	7.0%	1,323,608	4.6%	1,564,686	5.5%	64,389	0.2%	3,598,689	12.6%	800,000	2.8%	28,645,211
2001	2,168,159	6.2%	1,249,571	3.6%	1,475,404	4.2%	172,208	0.5%	3,696,831	10.6%	5,439,796	15.7%	34,725,515
2002	2,473,512	7.1%	1,628,246	4.7%	1,561,081	4.5%	763,553	2.2%	-	0.0%	4,919,683	14.1%	34,885,577
2003	2,750,499	7.7%	1,563,005	4.4%	1,730,535	4.9%	409,419	1.1%	-	0.0%	4,814,873	13.5%	35,666,088
2004	2,725,758	5.4%	1,488,969	3.0%	1,994,038	4.0%	1,982,196	4.0%	-	0.0%	13,452,552	26.8%	50,033,920

Note 1: Includes General and Capital Projects Funds.

Source: Audited financial statements for the years ended June 30, 1995 through 2004

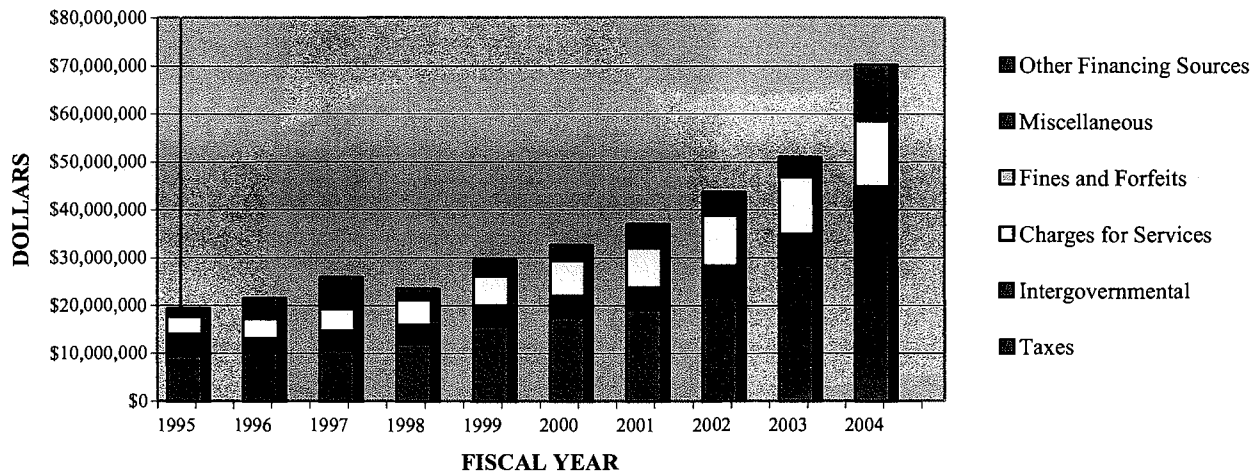
**SUSSEX COUNTY, DELAWARE**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>Taxes</b>	<b>Intergovernmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeits</b>	<b>Miscellaneous</b>	<b>Other Financing Sources</b>	<b>Total</b>
1995	\$ 9,483,782	\$ 4,547,479	\$ 3,629,986	\$ 5,566	\$ 1,074,913	\$ 676,849	\$ 19,418,575
1996	10,110,593	3,009,108	4,093,299	6,942	1,510,746	2,809,040	21,539,728
1997	10,733,885	4,036,872	4,488,759	6,964	1,222,942	5,444,203	25,933,625
1998	11,965,216	4,036,485	5,160,436	11,853	1,449,740	910,939	23,534,669
1999	15,667,681	4,379,574	6,079,047	14,038	2,021,511	1,330,245	29,492,096
2000	17,467,252	4,605,298	7,321,816	15,790	2,227,336	997,095	32,634,587
2001	19,060,041	4,781,102	8,140,748	16,946	2,388,416	2,579,039	36,966,292
2002	21,767,582	6,576,810	10,495,441	20,699	1,386,988	3,419,248	43,666,768
2003	28,528,761	6,466,985	11,847,057	15,826	1,219,214	2,942,479	51,020,322
2004	38,720,829	6,241,501	13,556,533	19,103	1,219,234	10,571,062	70,328,262

Note 1: Includes General and Capital Projects Funds.

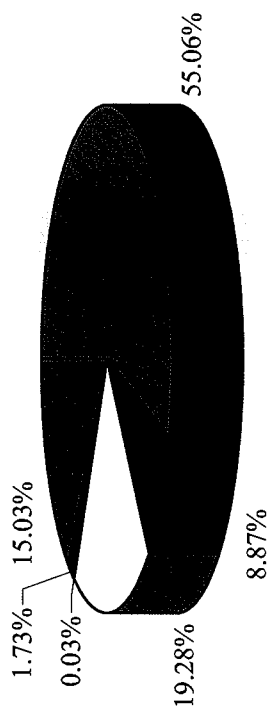
**GENERAL GOVERNMENTAL REVENUES**



Source: Audited financial statements for the years ended June 30, 1995 through 2004

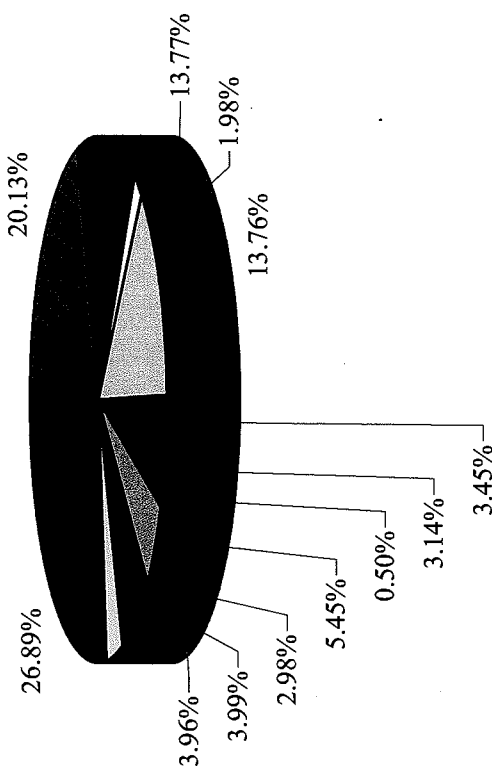
SUSSEX COUNTY, DELAWARE  
GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES BY SOURCE AND FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2004

## REVENUES



- TAXES
- CHARGES FOR SERVICES
- MISCELLANEOUS
- INTERGOVERNMENTAL
- FINES AND FORFEITS
- OTHER FINANCING SOURCES

## EXPENDITURES



- GENERAL ADMINISTRATION
- PLANNING AND ZONING
- EMERGENCY PREPAREDNESS
- AIRPORT
- COMMUNITY DEVELOPMENT
- CAPITAL PROJECTS
- GRANT-IN-AID PROGRAMS
- PARAMEDIC PROGRAM
- PUBLIC WORKS & INDUSTRIAL PARK
- LIBRARY
- CONSTITUTIONAL OFFICES
- OTHER FINANCING USES



**SUSSEX COUNTY, DELAWARE  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy</b>	<b>Delinquent Tax Collections</b>	<b>Total Taxes Collected</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
1995	\$ 6,861,128	\$ 6,626,500	96.6%	\$ 222,125	\$ 6,848,625	99.8%	\$ 455,888	6.6%
1996	7,088,291	6,835,032	96.4%	185,418	7,020,450	99.0%	498,829	7.0%
1997	7,303,925	7,052,404	96.6%	189,759	7,242,163	99.2%	533,401	7.3%
1998	7,572,799	7,315,590	96.6%	210,652	7,526,242	99.4%	546,533	7.2%
1999	7,791,654	7,566,993	97.1%	200,523	7,767,516	99.7%	519,642	6.7%
2000	8,108,146	7,835,808	96.6%	161,998	7,997,806	98.6%	591,783	7.3%
2001	8,461,001	8,156,366	96.4%	241,732	8,398,098	99.3%	599,135	7.1%
2002	8,843,299	8,527,586	96.4%	218,947	8,746,533	98.9%	661,422	7.5%
2003	9,219,888	8,904,011	96.6%	280,024	9,184,035	99.6%	662,655	7.2%
2004	9,718,631	9,393,462	96.7%	263,416	9,656,878	99.4%	661,765	6.8%

**Notes:**

1. Total tax levy includes initial annual levy plus quarterly supplemental additions.

Source: Sussex County Treasury Division

**SUSSEX COUNTY, DELAWARE**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

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<b>Fiscal Year</b>	<b>Total Assessed Value</b>	<b>Exempt Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value</b>
1995	\$ 1,511,863,194	\$ 24,712,592	\$ 1,487,150,602	\$ 9,123,623,325	16.3%
1996	1,560,954,078	24,961,725	1,535,992,353	9,365,807,030	16.4%
1997	1,609,844,254	25,239,867	1,584,604,387	9,842,263,273	16.1%
1998	1,669,344,777	24,802,843	1,644,541,934	10,678,843,727	15.4%
1999	1,717,086,004	24,637,240	1,692,448,764	12,444,476,206	13.6%
2000	1,784,583,813	24,595,234	1,759,988,579	12,846,631,964	13.7%
2001	1,857,560,169	24,056,900	1,833,503,269	14,213,203,636	12.9%
2002	1,936,538,241	23,367,548	1,913,170,693	15,943,089,108	12.0%
2003	2,017,026,292	22,854,792	1,994,171,500	19,744,272,277	10.1%
2004	2,117,840,800	22,417,573	2,095,423,227	26,192,790,338	8.0%

**Notes:**

1. Assessed values reflect the values utilized for initial property tax billings for each fiscal year.
2. Real property is appraised based on 1973 market values.
3. The assessed value is 50% of the appraised value.
4. Assessed value ratio estimates were developed by the University of Delaware.
5. Assessed values are based on taxable assessments, excluding exempt properties.

Sources: Sussex County Assessment Division and University of Delaware.

**SUSSEX COUNTY, DELAWARE  
PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS  
FOR THE FISCAL YEAR ENDED 2004**

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<b>School District/City</b>	<b>County Rate</b>	<b>School Rate</b>	<b>City Rate (1)</b>	<b>Vo-Tech Rate</b>	<b>Total Tax Rates/\$100 Assessment (2)</b>	<b>Tax Base Value as a Percent of Market Value (3)</b>
Cape Henlopen						
Henlopen Acres	0.445	2.099	1.45	0.2293	4.2233	8.0%
Lewes	0.445	2.099	0.26	0.2293	3.0333	8.0
Milton	0.445	2.099	0.41	0.2293	3.1833	8.0
Rehoboth Beach	0.445	2.099	1.40	0.2293	4.1733	8.0
Dewey Beach	0.445	2.099	0.40	0.2293	3.1733	8.0
Delmar						
Delmar	0.445	3.220	1.31	0.2293	5.2043	8.0
Indian River (4)						
Bethany Beach	0.445	1.946	0.80	0.2293	3.4203	8.0
Dagsboro	0.445	1.946	0.38	0.2293	3.0003	8.0
Fenwick Island	0.445	1.946	1.60	0.2293	4.2203	8.0
Frankford	0.445	1.946	1.10	0.2293	3.7203	8.0
Georgetown	0.445	1.946	2.15	0.2293	4.7703	8.0
Millsboro	0.445	1.946	0.46	0.2293	3.0803	8.0
Millville	0.445	1.946	0.50	0.2293	3.1203	8.0
Ocean View	0.445	1.946	0.50	0.2293	3.1203	8.0
Selbyville	0.445	1.946	1.85	0.2293	4.4703	8.0
South Bethany	0.445	1.946	0.65	0.2293	3.2703	8.0
Laurel						
Bethel	0.445	2.390	0.40	0.2293	3.4643	8.0
Laurel	0.445	2.390	1.90	0.2293	4.9643	8.0
Milford						
Ellendale	0.445	2.621	1.00	0.2293	4.2953	8.0
Milford	0.445	2.621	0.41	0.2293	3.7053	8.0
Slaughter Beach	0.445	2.621	0.50	0.2293	3.7953	8.0
Seaford						
Blades	0.445	2.480	1.50	0.2293	4.6543	8.0
Seaford	0.445	2.480	0.48	0.2293	3.6343	8.0
Woodbridge						
Bridgeville	0.445	2.903	1.83	0.2293	5.4073	8.0
Greenwood	0.445	2.903	0.60	0.2293	4.1773	8.0

**Notes:**

1. The city rate shown for Bethany, Lewes, Milton, Rehoboth, Delmar, Dagsboro, Millsboro, Ocean View, Milford, Seaford and Blades are based on assessments established by the individual towns. The other city tax rates are based on County assessments.
2. The total tax rates shown here are based on a combined rate regardless of differing assessment methods used by Towns and the County.
3. Market value is compared to assessed values (which are based on 50% of 1974 values).
4. The Indian River School District charges \$2.027 as its school rate for non-residential properties.

**Source:**

The Sussex County Department of Finance, Treasury Division, University of Delaware and various Sussex County Towns' offices.

(continued)

**SUSSEX COUNTY, DELAWARE**  
**PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS - CONTINUED**  
**FISCAL YEARS 1995 THROUGH 2003**

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Fiscal Year	Rate Type	School Districts - Rate per \$100 assessment						
		Indian River	Laurel	Seaford	Milford	Woodbridge	Cape Henlopen	Delmar
1995	School Rate	1.420	1.937	2.055	1.800	2.126	1.600	1.550
	Vo-Tech Rate	0.213	0.213	0.213	0.213	0.213	0.213	0.213
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.078	2.595	2.713	2.458	2.784	2.258	2.208
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	2.996	3.513	3.631	3.376	3.702	3.176	3.126
1996	School Rate	1.529	2.190	2.090	2.002	2.258	1.585	1.750
	Vo-Tech Rate	0.212	0.212	0.212	0.212	0.212	0.212	0.212
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.186	2.847	2.747	2.659	2.915	2.242	2.407
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.104	3.765	3.665	3.577	3.833	3.160	3.325
1997	School Rate	1.733	2.390	2.320	2.041	2.229	1.585	1.810
	Vo-Tech Rate	0.211	0.211	0.211	0.211	0.211	0.211	0.211
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.389	3.046	2.976	2.697	2.885	2.241	2.466
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.307	3.964	3.894	3.615	3.803	3.159	3.384
1998	School Rate	1.916	2.390	2.300	2.156	1.897	1.652	2.560
	Vo-Tech Rate	0.228	0.228	0.228	0.228	0.228	0.228	0.228
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.589	3.063	2.973	2.829	2.570	2.325	3.233
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.507	3.981	3.891	3.747	3.488	3.243	4.151
1999	School Rate	1.873	2.390	2.200	2.236	1.897	1.692	3.450
	Vo-Tech Rate	0.228	0.228	0.228	0.228	0.228	0.228	0.228
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.546	3.063	2.873	2.909	2.570	2.365	4.123
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.464	3.981	3.791	3.827	3.488	3.283	5.041
2000	School Rate (2)	1.799	2.390	2.200	2.909	2.101	1.695	3.400
	Vo-Tech Rate	0.216	0.216	0.216	0.216	0.216	0.216	0.216
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.460	3.051	2.861	3.570	2.762	2.356	4.061
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.378	3.969	3.779	4.488	3.680	3.274	4.979
2001	School Rate (2)	1.854	2.390	2.310	2.697	2.200	1.800	3.350
	Vo-Tech Rate	0.231	0.231	0.231	0.231	0.231	0.231	0.231
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.530	3.066	2.986	3.373	2.876	2.476	4.026
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.448	3.984	3.904	4.291	3.794	3.394	4.944
2002	School Rate (2)	1.997	2.390	2.390	2.669	2.400	1.981	3.250
	Vo-Tech Rate	0.228	0.228	0.228	0.228	0.228	0.228	0.228
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.670	3.063	3.063	3.342	3.073	2.654	3.923
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.588	3.981	3.981	4.260	3.991	3.572	4.841
2003	School Rate (2)	2.029	2.390	2.470	2.749	2.913	2.099	3.230
	Vo-Tech Rate	0.228	0.228	0.228	0.228	0.228	0.228	0.228
	County Rate	0.445	0.445	0.445	0.445	0.445	0.445	0.445
	Total	2.702	3.063	3.143	3.422	3.586	2.772	3.903
	Local Municipalities (1)	0.918	0.918	0.918	0.918	0.918	0.918	0.918
	Total Tax Rate	3.620	3.981	4.061	4.340	4.504	3.690	4.821

**Notes:**

1. The local municipalities rate is the average city tax rate for fiscal year 2003. Average city tax rates for fiscal years 1995 through 2002 are not available.
2. The Indian River School District charged \$1.903, \$1.950, \$2.087 and \$2.115 for non-residential properties in fiscal years 2000 through 2003 respectively.

Special assessments are not material and, accordingly, are not presented here.

**SUSSEX COUNTY, DELAWARE  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2004**

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Assessed Value of Taxable property		\$	2,243,460,883
Less: Exempt Property			<u>23,529,320</u>
Total Taxable Assessment at June 30, 2004		\$	<u>2,219,931,563</u>
 <b>DEBT LIMIT - 12% of Total Taxable Assessed Value</b>		\$	 266,391,788
Amount of Debt Applicable to Debt Limit:			
Total Bonded Debt	\$	149,289,555	
Less: West Rehoboth Sewer Revenue Bonds		<u>29,359,095</u>	
 <b>TOTAL DEBT APPLICABLE TO DEBT LIMIT</b>			 <u>119,930,460</u>
 <b>LEGAL DEBT MARGIN</b>		\$	 <u>146,461,328</u>

Note: Legally defeased debt secured by pledged funds is not included in the outstanding general obligation bond total.

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE  
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Net Bonded Debt</b>	<b>Taxable Assessed Value (A)</b>	<b>Percentage of Net General Bonded Debt to Assessed Value</b>	<b>Population (B)</b>	<b>Net General Bonded Debt Per Capita</b>
1995	\$ 5,243,865	\$ 1,487,150,602	0.35%	127,671	\$ 41.07
1996	4,915,712	1,535,992,353	0.32%	131,078	37.50
1997	7,570,782	1,584,604,387	0.48%	133,661	56.64
1998	7,199,603	1,644,541,934	0.44%	136,707	52.66
1999	6,807,575	1,692,448,764	0.40%	140,308	48.52
2000	3,494,353	1,759,988,579	0.20%	156,638	22.31
2001	-	1,833,503,269	0.00%	160,172	-
2002	-	1,913,170,693	0.00%	163,085	-
2003	-	1,994,171,500	0.00%	167,904	-
2004	-	2,095,423,227	0.00%	171,923	-

## Notes:

1. Net bonded debt includes tax supported debt repaid from general County sources including property taxes. It does not include general obligation or revenue debt repaid by sewer and water districts.

## Sources:

- A. Sussex County Assessment Division
- B. U.S. Bureau of the Census and Delaware Population Consortium

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Principal Payments (1)</b>	<b>Interest Payments (2)</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to Total General Governmental Expenditures</b>
1995	\$ 319,599	\$ 263,213	\$ 582,812	\$ 18,208,956	3.20%
1996	331,623	252,500	584,123	22,958,906	2.54%
1997	357,506	347,628	705,134	21,774,893	3.24%
1998	1,344,460	406,543	1,751,003	21,985,729	7.96%
1999	392,028	359,223	751,251	21,986,790	3.42%
2000	3,313,223	285,466	3,598,689	28,645,211	12.56%
2001	3,494,353	202,478	3,696,831	34,725,515	10.65%
2002	-	-	-	34,885,577	0.00%
2003	-	-	-	35,666,088	0.00%
2004	-	-	-	50,033,920	0.00%

**Notes:**

1. Excludes Enterprise Fund debt service but includes bond prepayments.
2. Excludes Enterprise Fund debt service but includes amortization costs.
3. Total debt service for fiscal year 1995 thru 1998 reflects principal and interest payments for notes payable as well as for bonds payable.



**SUSSEX COUNTY, DELAWARE**  
**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**JUNE 30, 2004**

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<u>Jurisdiction</u>	<u>Gross General Obligation Debt Outstanding</u>	<u>Percentage Applicable to Sussex County</u>	<u>Amount Applicable to Sussex County</u>
<b>TOTAL DIRECT DEBT (1)</b>			
Sussex County Council	\$ 119,930,460	100%	\$ 119,930,460
<b>OTHER DEBT OF COUNTY POLITICAL SUBDIVISIONS</b>			
<b>School Districts: (2)</b>			
Cape Henlopen	8,420,625	100%	8,420,625
Delmar	2,967,325	100%	2,967,325
Indian River	30,823,194	100%	30,823,194
Laurel	969,313	100%	969,313
Milford	6,137,050	59%	3,620,860
Seaford	5,987,421	100%	5,987,421
Sussex Tech	4,339,044	100%	4,339,044
Woodbridge	5,156,524	99%	5,104,959
<b>Total School Districts</b>	<b>64,800,496</b>		<b>62,232,742</b>
<b>Municipalities: (3)</b>			
Bethany Beach	2,070,000	100%	2,070,000
Blades	526,602	100%	526,602
Bridgeville	2,297,987	100%	2,297,987
Dagsboro	167,830	100%	167,830
Frankford	920,948	100%	920,948
Georgetown	10,190,122	100%	10,190,122
Greenwood	932,000	100%	932,000
Henlopen Acres	281,667	100%	281,667
Laurel	3,026,162	100%	3,026,162
Milford	12,085,000	70%	8,459,500
Millsboro	5,443,200	100%	5,443,200
Milton	803,704	100%	803,704
Rehoboth Beach	2,890,469	100%	2,890,469
Seaford	6,589,453	100%	6,589,453
Selbyville	3,994,708	100%	3,994,708
<b>Total Municipalities</b>	<b>52,219,852</b>		<b>48,594,352</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$ 236,950,808</b>		<b>\$ 230,757,553</b>

Note: This report includes general obligation debt. It does not include revenue bonds or short-term debt.

Sources:

1. Sussex County Department of Finance
2. Delaware State Treasurer's Office
3. Delaware State Department of Finance and Sussex County Towns

**SUSSEX COUNTY, DELAWARE  
REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

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**West Rehoboth Expansion Sewer System**

<b>Fiscal Year</b>	<b>Gross Revenues (2)</b>	<b>Direct Operating Expenses (1)</b>	<b>Net Available For Debt Service</b>	<b>Debt Service Requirements</b>	<b>Coverage Ratio</b>
1995	N/A	N/A	N/A	N/A	N/A
1996	\$ 1,935,148	\$ 468,084	\$ 1,467,064	\$ 761,354	1.93
1997	5,277,608	1,132,265	4,145,343	1,859,245	2.23
1998	6,352,519	1,093,404	5,259,115	2,202,693	2.39
1999	5,863,597	1,081,311	4,782,286	2,202,693	2.17
2000	7,426,137	1,265,139	6,160,998	2,357,693	2.61
2001	8,321,294	1,556,882	6,764,412	2,587,891	2.61
2002	9,455,029	1,458,191	7,996,838	2,554,266	3.13
2003	11,006,550	1,694,092	9,312,458	2,461,746	3.78
2004	10,861,191	1,805,308	9,055,883	2,460,595	3.68

**Notes:**

1. Direct operating expenses do not include depreciation or interest expense, as per the bond indenture.
2. Gross revenues do not include capitalization fees, or capital contributions.
3. Debt service requirement reflects minimum amounts due for revenue bonds. It does not include any debt service amounts for additional bonds which are paid from district funds and are general obligation bonds. It does not include accrued interest. It does not include interest capitalized prior to the initial date of operations, December 29, 1995.
4. The coverage requirement per Bond resolutions is 1.25.
5. In April 1994, the County issued \$19,000,000 in revenue bonds which were advance refunded in December 1995 by revenue bonds totaling \$20,825,000.
6. In April 1994, the County issued \$13,000,000 and \$4,000,000 in revenue bonds to the State of Delaware program. Debt service for these SRF bonds is based on level debt service payments.
7. The West Rehoboth system was under construction during fiscal year 1993, 1994 and 1995 and was placed in service on December 29, 1995. Receipt of revenues began during fiscal year 1996. Debt service paid prior to then was paid from capital funding. Interest was capitalized until fiscal year 1996.
8. The following revenue bond issues are included here as part of the debt service requirements:

	<b>Issuance Amount</b>
a. Bond Issue 1995	\$ 20,825,000
b. Subordinated Obligations 1994 SRF-A	13,000,000
c. Subordinated Obligations 1994 SRF-B	4,000,000

**SUSSEX COUNTY, DELAWARE**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

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<b>Year</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Median Age</b>	<b>Public School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
1995	127,671	\$ 18,901	*	20,549	6.7%
1996	131,078	19,895	*	20,887	5.3%
1997	133,661	20,222	*	21,073	3.7%
1998	136,707	21,163	38.0	21,246	3.7%
1999	140,308	21,423	36.0	21,432	3.9%
2000	156,638	22,185	41.1	21,781	2.9%
2001	160,172	23,232	*	21,878	3.9%
2002	163,085	25,471	*	21,547	4.0%
2003	167,904	*	*	25,055	2.7%
2004	171,923	*	*	24,210	3.3%

**Sources:**

1. U.S. Bureau of the Census and Delaware Population Consortium
2. U.S. Department of Commerce, Bureau of Economic Analysis
3. Delaware Department of Education
4. Office of Occupational & Labor Market Information

\* Figures not available

**SUSSEX COUNTY, DELAWARE**  
**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

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<u>Fiscal Year</u>	<u>Assessed Property Value</u>		<u>Construction</u>		<u>Bank Deposits (in millions)</u>
	<u>Taxable</u>	<u>Non-Taxable</u>	<u>Number of Permits</u>	<u>Estimated Value of Permits</u>	
1995	\$ 1,487,150,602	\$ 24,712,592	6,896	\$ 238,825,589	\$ 1,749
1996	1,535,992,353	24,961,725	7,185	227,687,698	7,223
1997	1,584,604,387	25,239,867	7,544	295,103,655	8,692
1998	1,644,541,934	24,802,843	7,877	310,884,342	9,729
1999	1,692,448,764	24,637,240	8,640	390,761,657	11,058
2000	1,759,988,579	24,595,234	8,511	370,747,700	14,796
2001	1,833,503,269	24,056,900	8,459	392,619,923	15,232
2002	1,913,170,693	23,367,548	9,388	463,462,847	15,183
2003	1,994,171,500	22,854,792	9,741	570,288,251	15,550
2004	2,095,423,227	22,417,573	10,811	641,869,546	13,105

Notes:

1. Construction permit information reflects building permits issued without permits for new manufactured homes.
2. Assessed values reflect the initial property tax billings for each fiscal year.
3. Assessed values reflect 50% of appraisal which is based on 1973 market values.

Sources: Sussex County Government Assessment, Data Processing and Planning and Zoning  
Departments, Georgetown, Delaware and FDIC for bank deposits.

**SUSSEX COUNTY, DELAWARE  
PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2004**

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<b>Taxpayer</b>	<b>Type of Business</b>	<b>2004 Assessed Valuation</b>	<b>Percentage of Total Assessed Valuation</b>
Verizon	Telephone Utility	\$ 35,638,175	1.70%
Conectiv Power Delivery	Public Utility	19,734,824	0.94%
Indian River Power LLC	Public Utility	12,737,071	0.61%
E. I. duPont de Nemours Company	Chemicals and Synthetics	9,484,250	0.45%
Mountaire Farms of Delaware, Inc.	Poultry Industry	4,351,900	0.21%
Delaware Electric Cooperative, Inc.	Public Utility	4,311,801	0.21%
Chesapeake Utilities Corporation	Public Utility	3,230,327	0.15%
Eastern Shore Natural Gas Co.	Public Utility	3,147,733	0.15%
M & T Bank	Banking	3,135,800	0.15%
Pinnacle Foods Corporation	Food Industry	2,798,600	0.13%
Rehoboth By The Sea Realty Co.	Real Estate	2,525,300	0.12%
Penco Corporation	Plumbing Retail	2,521,400	0.12%
		<u>\$ 103,617,181</u>	<u>4.94%</u>

Sources: Sussex County Government Data Processing and Assessment Departments, Georgetown, Delaware.

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Date of reorganization	January 5, 1971
Form of government	Council-Executive
County seat	Georgetown
Area	946 square miles
Density	182 per square mile

The following selected statistics present Sussex County governmental services and facilities. Similar services and facilities provided by the state and incorporated municipalities are not included, unless noted otherwise below.

**Public Safety:**

Paramedic stations	7
Paramedic staff	94
Paramedic Incidents Dispatched - fiscal year 2004	11,018
911 calls - fiscal year 2004	89,446
Volunteer fire and ambulance companies	24
Additional State Police officers funded by county	20

**Sewer and Water Services:**

Sewer customers, EDU's billed	44,240
Water customers, EDU's billed	3,548
Miles of underground sanitary sewer pipe	554
Number of feet of ocean outfall sewer pipe	6,500
Pump stations	256
Spray irrigated facilities	3
Secondary treatment plants	4

**Libraries:**

Directly administered	3
Number of county funded, with independent board	11
Bookmobiles	1
Circulation	1,197,367

**Sussex County Airport:**

Paved runway footage	7,300
Number of hangars	20
Number of landings fiscal year 2004	16,306

**Sussex County Industrial Park:**

Number of businesses	18
Number of jobs provided by businesses	681

**Population:**

Estimated population, 2004	171,923
Percent change, 2000 to 2004	9.8%
Census population, 2000	156,638
Percent change, 1990 to 2000	38.3%

Full-Time Positions	472
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**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1994**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY)**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
September 20, 2004	4.50 %	\$ 35,577	\$ 103,510
December 20, 2004	4.50	35,978	103,109
March 20, 2005	4.50	36,382	102,705
June 20, 2005	4.50	36,792	102,295
September 20, 2005	4.50	37,206	101,881
December 20, 2005	4.50	37,624	101,463
March 20, 2006	4.50	38,048	101,039
June 20, 2006	4.50	38,476	100,611
September 20, 2006	4.50	38,908	100,179
December 20, 2006	4.50	39,346	99,741
March 20, 2007	4.50	39,789	99,298
June 20, 2007	4.50	40,236	98,851
September 20, 2007	4.50	40,689	98,398
December 20, 2007	4.50	41,147	97,940
March 20, 2008	4.50	41,610	97,477
June 20, 2008	4.50	42,078	97,009
September 20, 2008	4.50	42,551	96,536
December 20, 2008	4.50	43,030	96,057
March 20, 2009	4.50	43,514	95,573
June 20, 2009	4.50	44,003	95,084
September 20, 2009	4.50	44,499	94,588
December 20, 2009	4.50	44,999	94,088
March 20, 2010	4.50	45,505	93,582
June 20, 2010	4.50	46,017	93,070
September 20, 2010	4.50	46,535	92,552
December 20, 2010	4.50	47,059	92,028
March 20, 2011	4.50	47,588	91,499
June 20, 2011	4.50	48,123	90,964
September 20, 2011	4.50	48,665	90,422
December 20, 2011	4.50	49,212	89,875
March 20, 2012	4.50	49,766	89,321
June 20, 2012	4.50	50,326	88,761
September 20, 2012	4.50	50,892	88,195
December 20, 2012	4.50	51,464	87,623
March 20, 2013	4.50	52,043	87,044
June 20, 2013	4.50	52,629	86,458
September 20, 2013	4.50	53,221	85,866
December 20, 2013	4.50	53,820	85,267
March 20, 2014	4.50	54,425	84,662
June 20, 2014	4.50	55,037	84,050
September 20, 2014	4.50	55,657	83,430
December 20, 2014	4.50	56,283	82,804
March 20, 2015	4.50	56,916	82,171
June 20, 2015	4.50	57,556	81,531
September 20, 2015	4.50	58,204	80,883
December 20, 2015	4.50	58,858	80,229
March 20, 2016	4.50	59,521	79,566
June 20, 2016	4.50	60,190	78,897
September 20, 2016	4.50	60,867	78,220
December 20, 2016	4.50	61,552	77,535
March 20, 2017	4.50	62,245	76,842
June 20, 2017	4.50	62,945	76,142
September 20, 2017	4.50	63,653	75,434
December 20, 2017	4.50	64,369	74,718

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 1994  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
March 20, 2018	4.50 %	\$ 65,093	\$ 73,994
June 20, 2018	4.50	65,826	73,261
September 20, 2018	4.50	66,566	72,521
December 20, 2018	4.50	67,315	71,772
March 20, 2019	4.50	68,072	71,015
June 20, 2019	4.50	68,838	70,249
September 20, 2019	4.50	69,612	69,475
December 20, 2019	4.50	70,396	68,691
March 20, 2020	4.50	71,188	67,899
June 20, 2020	4.50	71,988	67,099
September 20, 2020	4.50	72,798	66,289
December 20, 2020	4.50	73,617	65,470
March 20, 2021	4.50	74,445	64,642
June 20, 2021	4.50	75,283	63,804
September 20, 2021	4.50	76,130	62,957
December 20, 2021	4.50	76,986	62,101
March 20, 2022	4.50	77,852	61,235
June 20, 2022	4.50	78,728	60,359
September 20, 2022	4.50	79,614	59,473
December 20, 2022	4.50	80,510	58,577
March 20, 2023	4.50	81,415	57,672
June 20, 2023	4.50	82,331	56,756
September 20, 2023	4.50	83,258	55,829
December 20, 2023	4.50	84,194	54,893
March 20, 2024	4.50	85,141	53,946
June 20, 2024	4.50	86,099	52,988
September 20, 2024	4.50	87,068	52,019
December 20, 2024	4.50	88,047	51,040
March 20, 2025	4.50	89,038	50,049
June 20, 2025	4.50	90,040	49,047
September 20, 2025	4.50	91,053	48,034
December 20, 2025	4.50	92,077	47,010
March 20, 2026	4.50	93,113	45,974
June 20, 2026	4.50	94,160	44,927
September 20, 2026	4.50	95,220	43,867
December 20, 2026	4.50	96,291	42,796
March 20, 2027	4.50	97,374	41,713
June 20, 2027	4.50	98,469	40,618
September 20, 2027	4.50	99,577	39,510
December 20, 2027	4.50	100,698	38,389
March 20, 2028	4.50	101,830	37,257
June 20, 2028	4.50	102,976	36,111
September 20, 2028	4.50	104,134	34,953
December 20, 2028	4.50	105,306	33,781
March 20, 2029	4.50	106,491	32,596
June 20, 2029	4.50	107,689	31,398
September 20, 2029	4.50	108,900	30,187
December 20, 2029	4.50	110,125	28,962
March 20, 2030	4.50	111,364	27,723
June 20, 2030	4.50	112,617	26,470
September 20, 2030	4.50	113,884	25,203
December 20, 2030	4.50	115,165	23,922

(continued)



**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1994**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
March 20, 2031	4.50 %	\$ 116,461	\$ 22,626
June 20, 2031	4.50	117,771	21,316
September 20, 2031	4.50	119,096	19,991
December 20, 2031	4.50	120,436	18,651
March 20, 2032	4.50	121,791	17,296
June 20, 2032	4.50	123,161	15,926
September 20, 2032	4.50	124,546	14,541
December 20, 2032	4.50	125,947	13,140
March 20, 2033	4.50	127,364	11,723
June 20, 2033	4.50	128,797	10,290
September 20, 2033	4.50	130,246	8,841
December 20, 2033	4.50	131,711	7,376
March 20, 2034	4.50	133,193	5,894
June 20, 2034	4.50	134,692	4,395
September 20, 2034	4.50	136,207	2,880
December 20, 2034	4.50	118,161	1,139
		<u>\$ 9,199,206</u>	<u>\$ 7,749,832</u>

(continued)

**SUSSEX COUNTY, DELAWARE**

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**SRF SUBORDINATE OBLIGATION - 1994****(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED****JUNE 30, 2004**

<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
June 15, 2005	1.50 %	\$ 772,109	\$ 157,937
June 15, 2006	1.50	783,691	146,354
June 15, 2007	1.50	795,446	134,599
June 15, 2008	1.50	807,378	122,667
June 15, 2009	1.50	819,488	110,557
June 15, 2010	1.50	831,781	98,264
June 15, 2011	1.50	844,258	85,788
June 15, 2012	1.50	856,921	73,125
June 15, 2013	1.50	869,775	60,271
June 15, 2014	1.50	882,822	47,224
June 15, 2015	1.50	896,064	33,981
June 15, 2016	1.50	909,505	20,540
December 15, 2016	1.50	459,857	3,449
		<u>\$ 10,529,095</u>	<u>\$ 1,094,756</u>

(continued)

SUSSEX COUNTY, DELAWARE  
BONDED DEBT REVENUE BONDS - 1995  
(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
December 15, 2004	- %	\$ -	\$ 508,883
June 15, 2005	4.75	510,000	508,883
December 15, 2005	-	-	496,770
June 15, 2006	4.85	535,000	496,770
December 15, 2006	-	-	483,796
June 15, 2007	5.00	560,000	483,796
December 15, 2007	-	-	469,796
June 15, 2008	5.10	590,000	469,796
December 15, 2008	-	-	454,751
June 15, 2009	5.20	620,000	454,751
December 15, 2009	-	-	438,631
June 15, 2010	5.30	650,000	438,631
December 15, 2010	-	-	421,406
June 15, 2011	5.40	690,000	421,406
December 15, 2011	-	-	402,776
June 15, 2012	5.45	725,000	402,776
December 15, 2012	-	-	383,020
June 15, 2013	5.45	765,000	383,020
December 15, 2013	-	-	362,174
June 15, 2014	5.45	805,000	362,174
December 15, 2014	-	-	340,238
June 15, 2015	5.45	850,000	340,238
December 15, 2015	-	-	317,075
June 15, 2016	5.50	895,000	317,075
December 15, 2016	-	-	292,463
June 15, 2017	5.50	945,000	292,463
December 15, 2017	-	-	266,475
June 15, 2018	5.50	995,000	266,475
December 15, 2018	-	-	239,113
June 15, 2019	5.50	1,055,000	239,113
December 15, 2019	-	-	210,100
June 15, 2020	5.50	1,105,000	210,100
December 15, 2020	-	-	179,713
June 15, 2021	5.50	1,170,000	179,713
December 15, 2021	-	-	147,538
June 15, 2022	5.50	1,235,000	147,538
December 15, 2022	-	-	113,575
June 15, 2023	5.50	1,305,000	113,575
December 15, 2023	-	-	77,688
June 15, 2024	5.50	1,375,000	77,688
December 15, 2024	-	-	39,875
June 15, 2025	5.50	1,450,000	39,875
		<u>\$ 18,830,000</u>	<u>\$ 13,291,712</u>

(continued)

## BONDED DEBT GENERAL OBLIGATION - 1995 A

## (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED

JUNE 30, 2004

Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 9, 2004	4.50 %	\$ 12,755	\$ 37,669
December 9, 2004	4.50	12,898	37,526
March 9, 2005	4.50	13,043	37,381
June 9, 2005	4.50	13,190	37,234
September 9, 2005	4.50	13,338	37,086
December 9, 2005	4.50	13,488	36,936
March 9, 2006	4.50	13,640	36,784
June 9, 2006	4.50	13,793	36,631
September 9, 2006	4.50	13,949	36,475
December 9, 2006	4.50	14,106	36,318
March 9, 2007	4.50	14,264	36,160
June 9, 2007	4.50	14,425	35,999
September 9, 2007	4.50	14,587	35,837
December 9, 2007	4.50	14,751	35,673
March 9, 2008	4.50	14,917	35,507
June 9, 2008	4.50	15,085	35,339
September 9, 2008	4.50	15,255	35,169
December 9, 2008	4.50	15,426	34,998
March 9, 2009	4.50	15,600	34,824
June 9, 2009	4.50	15,775	34,649
September 9, 2009	4.50	15,953	34,471
December 9, 2009	4.50	16,132	34,292
March 9, 2010	4.50	16,314	34,110
June 9, 2010	4.50	16,497	33,927
September 9, 2010	4.50	16,683	33,741
December 9, 2010	4.50	16,870	33,554
March 9, 2011	4.50	17,060	33,364
June 9, 2011	4.50	17,252	33,172
September 9, 2011	4.50	17,446	32,978
December 9, 2011	4.50	17,643	32,781
March 9, 2012	4.50	17,841	32,583
June 9, 2012	4.50	18,042	32,382
September 9, 2012	4.50	18,245	32,179
December 9, 2012	4.50	18,450	31,974
March 9, 2013	4.50	18,658	31,766
June 9, 2013	4.50	18,867	31,557
September 9, 2013	4.50	19,080	31,344
December 9, 2013	4.50	19,294	31,130
March 9, 2014	4.50	19,511	30,913
June 9, 2014	4.50	19,731	30,693
September 9, 2014	4.50	19,953	30,471
December 9, 2014	4.50	20,177	30,247
March 9, 2015	4.50	20,404	30,020
June 9, 2015	4.50	20,634	29,790
September 9, 2015	4.50	20,866	29,558
December 9, 2015	4.50	21,101	29,323
March 9, 2016	4.50	21,338	29,086
June 9, 2016	4.50	21,578	28,846
September 9, 2016	4.50	21,821	28,603
December 9, 2016	4.50	22,066	28,358
March 9, 2017	4.50	22,315	28,109
June 9, 2017	4.50	22,566	27,858
September 9, 2017	4.50	22,820	27,604

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 A**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 9, 2017	4.50 %	\$ 23,076	\$ 27,348
March 9, 2018	4.50	23,336	27,088
June 9, 2018	4.50	23,598	26,826
September 9, 2018	4.50	23,864	26,560
December 9, 2018	4.50	24,132	26,292
March 9, 2019	4.50	24,404	26,020
June 9, 2019	4.50	24,678	25,746
September 9, 2019	4.50	24,956	25,468
December 9, 2019	4.50	25,237	25,187
March 9, 2020	4.50	25,521	24,903
June 9, 2020	4.50	25,808	24,616
September 9, 2020	4.50	26,098	24,326
December 9, 2020	4.50	26,392	24,032
March 9, 2021	4.50	26,689	23,735
June 9, 2021	4.50	26,989	23,435
September 9, 2021	4.50	27,293	23,131
December 9, 2021	4.50	27,600	22,824
March 9, 2022	4.50	27,910	22,514
June 9, 2022	4.50	28,224	22,200
September 9, 2022	4.50	28,542	21,882
December 9, 2022	4.50	28,863	21,561
March 9, 2023	4.50	29,187	21,237
June 9, 2023	4.50	29,516	20,908
September 9, 2023	4.50	29,848	20,576
December 9, 2023	4.50	30,184	20,240
March 9, 2024	4.50	30,523	19,901
June 9, 2024	4.50	30,867	19,557
September 9, 2024	4.50	31,214	19,210
December 9, 2024	4.50	31,565	18,859
March 9, 2025	4.50	31,920	18,504
June 9, 2025	4.50	32,279	18,145
September 9, 2025	4.50	32,642	17,782
December 9, 2025	4.50	33,010	17,414
March 9, 2026	4.50	33,381	17,043
June 9, 2026	4.50	33,756	16,668
September 9, 2026	4.50	34,136	16,288
December 9, 2026	4.50	34,520	15,904
March 9, 2027	4.50	34,909	15,515
June 9, 2027	4.50	35,301	15,123
September 9, 2027	4.50	35,698	14,726
December 9, 2027	4.50	36,100	14,324
March 9, 2028	4.50	36,506	13,918
June 9, 2028	4.50	36,917	13,507
September 9, 2028	4.50	37,332	13,092
December 9, 2028	4.50	37,752	12,672
March 9, 2029	4.50	38,177	12,247
June 9, 2029	4.50	38,606	11,818
September 9, 2029	4.50	39,041	11,383
December 9, 2029	4.50	39,480	10,944
March 9, 2030	4.50	39,924	10,500
June 9, 2030	4.50	40,373	10,051
September 9, 2030	4.50	40,827	9,597
December 9, 2030	4.50	41,287	9,137

(continued)

## BONDED DEBT GENERAL OBLIGATION - 1995 A

## (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED

JUNE 30, 2004

<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
March 9, 2031	4.50 %	\$ 41,751	\$ 8,673
June 9, 2031	4.50	42,221	8,203
September 9, 2031	4.50	42,696	7,728
December 9, 2031	4.50	43,176	7,248
March 9, 2032	4.50	43,662	6,762
June 9, 2032	4.50	44,153	6,271
September 9, 2032	4.50	44,650	5,774
December 9, 2032	4.50	45,152	5,272
March 9, 2033	4.50	45,660	4,764
June 9, 2033	4.50	46,174	4,250
September 9, 2033	4.50	46,693	3,731
December 9, 2033	4.50	47,219	3,205
March 9, 2034	4.50	47,750	2,674
June 9, 2034	4.50	48,287	2,137
September 9, 2034	4.50	48,830	1,594
December 9, 2034	4.50	49,380	1,044
March 9, 2035	4.50	43,775	490
		<u>\$ 3,348,710</u>	<u>\$ 2,847,283</u>

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 B**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
September 27, 2004	4.50 %	\$ 22,975	\$ 68,831
December 27, 2004	4.50	23,234	68,572
March 27, 2005	4.50	23,495	68,311
June 27, 2005	4.50	23,759	68,047
September 27, 2005	4.50	24,027	67,779
December 27, 2005	4.50	24,297	67,509
March 27, 2006	4.50	24,570	67,236
June 27, 2006	4.50	24,847	66,959
September 27, 2006	4.50	25,126	66,680
December 27, 2006	4.50	25,409	66,397
March 27, 2007	4.50	25,695	66,111
June 27, 2007	4.50	25,984	65,822
September 27, 2007	4.50	26,276	65,530
December 27, 2007	4.50	26,572	65,234
March 27, 2008	4.50	26,871	64,935
June 27, 2008	4.50	27,173	64,633
September 27, 2008	4.50	27,479	64,327
December 27, 2008	4.50	27,788	64,018
March 27, 2009	4.50	28,100	63,706
June 27, 2009	4.50	28,416	63,390
September 27, 2009	4.50	28,736	63,070
December 27, 2009	4.50	29,059	62,747
March 27, 2010	4.50	29,386	62,420
June 27, 2010	4.50	29,717	62,089
September 27, 2010	4.50	30,051	61,755
December 27, 2010	4.50	30,389	61,417
March 27, 2011	4.50	30,731	61,075
June 27, 2011	4.50	31,077	60,729
September 27, 2011	4.50	31,426	60,380
December 27, 2011	4.50	31,780	60,026
March 27, 2012	4.50	32,138	59,668
June 27, 2012	4.50	32,499	59,307
September 27, 2012	4.50	32,865	58,941
December 27, 2012	4.50	33,234	58,572
March 27, 2013	4.50	33,608	58,198
June 27, 2013	4.50	33,986	57,820
September 27, 2013	4.50	34,369	57,437
December 27, 2013	4.50	34,755	57,051
March 27, 2014	4.50	35,146	56,660
June 27, 2014	4.50	35,542	56,264
September 27, 2014	4.50	35,942	55,864
December 27, 2014	4.50	36,346	55,460
March 27, 2015	4.50	36,755	55,051
June 27, 2015	4.50	37,168	54,638
September 27, 2015	4.50	37,587	54,219
December 27, 2015	4.50	38,009	53,797
March 27, 2016	4.50	38,437	53,369
June 27, 2016	4.50	38,869	52,937
September 27, 2016	4.50	39,307	52,499
December 27, 2016	4.50	39,749	52,057
March 27, 2017	4.50	40,196	51,610
June 27, 2017	4.50	40,648	51,158
September 27, 2017	4.50	41,106	50,700

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 B**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 27, 2017	4.50 %	\$ 41,568	\$ 50,238
March 27, 2018	4.50	42,036	49,770
June 27, 2018	4.50	42,509	49,297
September 27, 2018	4.50	42,987	48,819
December 27, 2018	4.50	43,470	48,336
March 27, 2019	4.50	43,959	47,847
June 27, 2019	4.50	44,454	47,352
September 27, 2019	4.50	44,954	46,852
December 27, 2019	4.50	45,460	46,346
March 27, 2020	4.50	45,971	45,835
June 27, 2020	4.50	46,488	45,318
September 27, 2020	4.50	47,011	44,795
December 27, 2020	4.50	47,540	44,266
March 27, 2021	4.50	48,075	43,731
June 27, 2021	4.50	48,616	43,190
September 27, 2021	4.50	49,163	42,643
December 27, 2021	4.50	49,716	42,090
March 27, 2022	4.50	50,275	41,531
June 27, 2022	4.50	50,840	40,966
September 27, 2022	4.50	51,413	40,393
December 27, 2022	4.50	51,991	39,815
March 27, 2023	4.50	52,576	39,230
June 27, 2023	4.50	53,168	38,638
September 27, 2023	4.50	53,766	38,040
December 27, 2023	4.50	54,371	37,435
March 27, 2024	4.50	54,982	36,824
June 27, 2024	4.50	55,601	36,205
September 27, 2024	4.50	56,226	35,580
December 27, 2024	4.50	56,859	34,947
March 27, 2025	4.50	57,499	34,307
June 27, 2025	4.50	58,145	33,661
September 27, 2025	4.50	58,799	33,007
December 27, 2025	4.50	59,461	32,345
March 27, 2026	4.50	60,130	31,676
June 27, 2026	4.50	60,806	31,000
September 27, 2026	4.50	61,490	30,316
December 27, 2026	4.50	62,182	29,624
March 27, 2027	4.50	62,882	28,924
June 27, 2027	4.50	63,589	28,217
September 27, 2027	4.50	64,305	27,501
December 27, 2027	4.50	65,028	26,778
March 27, 2028	4.50	65,760	26,046
June 27, 2028	4.50	66,499	25,307
September 27, 2028	4.50	67,247	24,559
December 27, 2028	4.50	68,004	23,802
March 27, 2029	4.50	68,769	23,037
June 27, 2029	4.50	69,543	22,263
September 27, 2029	4.50	70,325	21,481
December 27, 2029	4.50	71,116	20,690
March 27, 2030	4.50	71,916	19,890
June 27, 2030	4.50	72,725	19,081
September 27, 2030	4.50	73,544	18,262
December 27, 2030	4.50	74,371	17,435

(continued)



**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 B**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
March 27, 2031	4.50 %	\$ 75,208	\$ 16,598
June 27, 2031	4.50	76,054	15,752
September 27, 2031	4.50	76,909	14,897
December 27, 2031	4.50	77,775	14,031
March 27, 2032	4.50	78,649	13,157
June 27, 2032	4.50	79,534	12,272
September 27, 2032	4.50	80,429	11,377
December 27, 2032	4.50	81,334	10,472
March 27, 2033	4.50	82,249	9,557
June 27, 2033	4.50	83,174	8,632
September 27, 2033	4.50	84,110	7,696
December 27, 2033	4.50	85,056	6,750
March 27, 2034	4.50	86,013	5,793
June 27, 2034	4.50	86,981	4,825
September 27, 2034	4.50	87,959	3,847
December 27, 2034	4.50	88,949	2,857
March 27, 2035	4.50	89,949	1,857
June 27, 2035	4.50	75,684	846
		<u>\$ 6,118,902</u>	<u>\$ 5,249,766</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 1995 C  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 26, 2004	4.50 %	\$ 20,643	\$ 62,817
December 26, 2004	4.50	20,876	62,584
March 26, 2005	4.50	21,110	62,350
June 26, 2005	4.50	21,348	62,112
September 26, 2005	4.50	21,588	61,872
December 26, 2005	4.50	21,831	61,629
March 26, 2006	4.50	22,077	61,383
June 26, 2006	4.50	22,325	61,135
September 26, 2006	4.50	22,576	60,884
December 26, 2006	4.50	22,830	60,630
March 26, 2007	4.50	23,087	60,373
June 26, 2007	4.50	23,347	60,113
September 26, 2007	4.50	23,609	59,851
December 26, 2007	4.50	23,875	59,585
March 26, 2008	4.50	24,143	59,317
June 26, 2008	4.50	24,415	59,045
September 26, 2008	4.50	24,690	58,770
December 26, 2008	4.50	24,967	58,493
March 26, 2009	4.50	25,248	58,212
June 26, 2009	4.50	25,532	57,928
September 26, 2009	4.50	25,820	57,640
December 26, 2009	4.50	26,110	57,350
March 26, 2010	4.50	26,404	57,056
June 26, 2010	4.50	26,701	56,759
September 26, 2010	4.50	27,001	56,459
December 26, 2010	4.50	27,305	56,155
March 26, 2011	4.50	27,612	55,848
June 26, 2011	4.50	27,923	55,537
September 26, 2011	4.50	28,237	55,223
December 26, 2011	4.50	28,555	54,905
March 26, 2012	4.50	28,876	54,584
June 26, 2012	4.50	29,201	54,259
September 26, 2012	4.50	29,529	53,931
December 26, 2012	4.50	29,861	53,599
March 26, 2013	4.50	30,197	53,263
June 26, 2013	4.50	30,537	52,923
September 26, 2013	4.50	30,881	52,579
December 26, 2013	4.50	31,228	52,232
March 26, 2014	4.50	31,579	51,881
June 26, 2014	4.50	31,935	51,525
September 26, 2014	4.50	32,294	51,166
December 26, 2014	4.50	32,657	50,803
March 26, 2015	4.50	33,025	50,435
June 26, 2015	4.50	33,396	50,064
September 26, 2015	4.50	33,772	49,688
December 26, 2015	4.50	34,152	49,308
March 26, 2016	4.50	34,536	48,924
June 26, 2016	4.50	34,925	48,535
September 26, 2016	4.50	35,317	48,143
December 26, 2016	4.50	35,715	47,745
March 26, 2017	4.50	36,117	47,343
June 26, 2017	4.50	36,523	46,937
September 26, 2017	4.50	36,934	46,526

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 C**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 26, 2017	4.50 %	\$ 37,349	\$ 46,111
March 26, 2018	4.50	37,769	45,691
June 26, 2018	4.50	38,194	45,266
September 26, 2018	4.50	38,624	44,836
December 26, 2018	4.50	39,059	44,401
March 26, 2019	4.50	39,498	43,962
June 26, 2019	4.50	39,942	43,518
September 26, 2019	4.50	40,392	43,068
December 26, 2019	4.50	40,846	42,614
March 26, 2020	4.50	41,306	42,154
June 26, 2020	4.50	41,770	41,690
September 26, 2020	4.50	42,240	41,220
December 26, 2020	4.50	42,715	40,745
March 26, 2021	4.50	43,196	40,264
June 26, 2021	4.50	43,682	39,778
September 26, 2021	4.50	44,173	39,287
December 26, 2021	4.50	44,670	38,790
March 26, 2022	4.50	45,173	38,287
June 26, 2022	4.50	45,681	37,779
September 26, 2022	4.50	46,195	37,265
December 26, 2022	4.50	46,715	36,745
March 26, 2023	4.50	47,240	36,220
June 26, 2023	4.50	47,772	35,688
September 26, 2023	4.50	48,309	35,151
December 26, 2023	4.50	48,852	34,608
March 26, 2024	4.50	49,402	34,058
June 26, 2024	4.50	49,958	33,502
September 26, 2024	4.50	50,520	32,940
December 26, 2024	4.50	51,088	32,372
March 26, 2025	4.50	51,663	31,797
June 26, 2025	4.50	52,244	31,216
September 26, 2025	4.50	52,832	30,628
December 26, 2025	4.50	53,426	30,034
March 26, 2026	4.50	54,027	29,433
June 26, 2026	4.50	54,635	28,825
September 26, 2026	4.50	55,250	28,210
December 26, 2026	4.50	55,871	27,589
March 26, 2027	4.50	56,500	26,960
June 26, 2027	4.50	57,135	26,325
September 26, 2027	4.50	57,778	25,682
December 26, 2027	4.50	58,428	25,032
March 26, 2028	4.50	59,086	24,374
June 26, 2028	4.50	59,750	23,710
September 26, 2028	4.50	60,422	23,038
December 26, 2028	4.50	61,102	22,358
March 26, 2029	4.50	61,790	21,670
June 26, 2029	4.50	62,485	20,975
September 26, 2029	4.50	63,188	20,272
December 26, 2029	4.50	63,899	19,561
March 26, 2030	4.50	64,617	18,843
June 26, 2030	4.50	65,344	18,116
September 26, 2030	4.50	66,080	17,381
December 26, 2030	4.50	66,823	16,637

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 C**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
March 26, 2031	4.50 %	\$ 67,575	\$ 15,885
June 26, 2031	4.50	68,335	15,125
September 26, 2031	4.50	69,104	14,356
December 26, 2031	4.50	69,881	13,579
March 26, 2032	4.50	70,667	12,793
June 26, 2032	4.50	71,462	11,998
September 26, 2032	4.50	72,266	11,194
December 26, 2032	4.50	73,079	10,381
March 26, 2033	4.50	73,901	9,559
June 26, 2033	4.50	74,733	8,727
September 26, 2033	4.50	75,573	7,887
December 26, 2033	4.50	76,424	7,036
March 26, 2034	4.50	77,283	6,177
June 26, 2034	4.50	78,153	5,307
September 26, 2034	4.50	79,032	4,428
December 26, 2034	4.50	79,921	3,539
March 26, 2035	4.50	80,820	2,640
June 26, 2035	4.50	81,730	1,730
September 26, 2035	4.50	71,177	810
		<u>\$ 5,582,793</u>	<u>\$ 4,838,235</u>

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 D**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
September 22, 2004	4.50 %	\$ 10,207	\$ 31,523
December 22, 2004	4.50	10,322	31,408
March 22, 2005	4.50	10,438	31,292
June 22, 2005	4.50	10,555	31,175
September 22, 2005	4.50	10,674	31,056
December 22, 2005	4.50	10,794	30,936
March 22, 2006	4.50	10,915	30,815
June 22, 2006	4.50	11,038	30,692
September 22, 2006	4.50	11,162	30,568
December 22, 2006	4.50	11,288	30,442
March 22, 2007	4.50	11,415	30,315
June 22, 2007	4.50	11,543	30,187
September 22, 2007	4.50	11,673	30,057
December 22, 2007	4.50	11,805	29,925
March 22, 2008	4.50	11,937	29,793
June 22, 2008	4.50	12,072	29,658
September 22, 2008	4.50	12,208	29,522
December 22, 2008	4.50	12,345	29,385
March 22, 2009	4.50	12,484	29,246
June 22, 2009	4.50	12,624	29,106
September 22, 2009	4.50	12,766	28,964
December 22, 2009	4.50	12,910	28,820
March 22, 2010	4.50	13,055	28,675
June 22, 2010	4.50	13,202	28,528
September 22, 2010	4.50	13,350	28,380
December 22, 2010	4.50	13,500	28,229
March 22, 2011	4.50	13,653	28,077
June 22, 2011	4.50	13,806	27,924
September 22, 2011	4.50	13,961	27,769
December 22, 2011	4.50	14,118	27,612
March 22, 2012	4.50	14,277	27,453
June 22, 2012	4.50	14,438	27,292
September 22, 2012	4.50	14,600	27,130
December 22, 2012	4.50	14,765	26,965
March 22, 2013	4.50	14,931	26,799
June 22, 2013	4.50	15,099	26,631
September 22, 2013	4.50	15,269	26,461
December 22, 2013	4.50	15,440	26,290
March 22, 2014	4.50	15,614	26,116
June 22, 2014	4.50	15,790	25,940
September 22, 2014	4.50	15,967	25,763
December 22, 2014	4.50	16,147	25,583
March 22, 2015	4.50	16,329	25,401
June 22, 2015	4.50	16,512	25,218
September 22, 2015	4.50	16,698	25,032
December 22, 2015	4.50	16,886	24,844
March 22, 2016	4.50	17,076	24,654
June 22, 2016	4.50	17,268	24,462
September 22, 2016	4.50	17,462	24,268
December 22, 2016	4.50	17,659	24,071
March 22, 2017	4.50	17,857	23,873
June 22, 2017	4.50	18,058	23,672
September 22, 2017	4.50	18,261	23,469

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 D**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 22, 2017	4.50 %	\$ 18,467	\$ 23,263
March 22, 2018	4.50	18,675	23,055
June 22, 2018	4.50	18,885	22,845
September 22, 2018	4.50	19,097	22,633
December 22, 2018	4.50	19,312	22,418
March 22, 2019	4.50	19,529	22,201
June 22, 2019	4.50	19,749	21,981
September 22, 2019	4.50	19,971	21,759
December 22, 2019	4.50	20,196	21,534
March 22, 2020	4.50	20,423	21,307
June 22, 2020	4.50	20,653	21,077
September 22, 2020	4.50	20,885	20,845
December 22, 2020	4.50	21,120	20,610
March 22, 2021	4.50	21,358	20,372
June 22, 2021	4.50	21,598	20,132
September 22, 2021	4.50	21,841	19,889
December 22, 2021	4.50	22,087	19,643
March 22, 2022	4.50	22,335	19,395
June 22, 2022	4.50	22,586	19,144
September 22, 2022	4.50	22,840	18,890
December 22, 2022	4.50	23,097	18,633
March 22, 2023	4.50	23,357	18,373
June 22, 2023	4.50	23,620	18,110
September 22, 2023	4.50	23,886	17,844
December 22, 2023	4.50	24,154	17,576
March 22, 2024	4.50	24,426	17,304
June 22, 2024	4.50	24,701	17,029
September 22, 2024	4.50	24,979	16,751
December 22, 2024	4.50	25,260	16,470
March 22, 2025	4.50	25,544	16,186
June 22, 2025	4.50	25,831	15,899
September 22, 2025	4.50	26,122	15,608
December 22, 2025	4.50	26,416	15,314
March 22, 2026	4.50	26,713	15,017
June 22, 2026	4.50	27,014	14,716
September 22, 2026	4.50	27,318	14,412
December 22, 2026	4.50	27,625	14,105
March 22, 2027	4.50	27,936	13,794
June 22, 2027	4.50	28,250	13,480
September 22, 2027	4.50	28,568	13,162
December 22, 2027	4.50	28,889	12,841
March 22, 2028	4.50	29,214	12,516
June 22, 2028	4.50	29,543	12,187
September 22, 2028	4.50	29,875	11,855
December 22, 2028	4.50	30,211	11,519
March 22, 2029	4.50	30,551	11,179
June 22, 2029	4.50	30,895	10,835
September 22, 2029	4.50	31,242	10,488
December 22, 2029	4.50	31,594	10,136
March 22, 2030	4.50	31,949	9,781
June 22, 2030	4.50	32,309	9,421
September 22, 2030	4.50	32,672	9,058
December 22, 2030	4.50	33,040	8,690

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1995 D**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
March 22, 2031	4.50 %	\$ 33,411	\$ 8,319
June 22, 2031	4.50	33,787	7,943
September 22, 2031	4.50	34,167	7,563
December 22, 2031	4.50	34,552	7,178
March 22, 2032	4.50	34,941	6,789
June 22, 2032	4.50	35,334	6,396
September 22, 2032	4.50	35,731	5,999
December 22, 2032	4.50	36,133	5,597
March 22, 2033	4.50	36,540	5,190
June 22, 2033	4.50	36,951	4,779
September 22, 2033	4.50	37,366	4,364
December 22, 2033	4.50	37,787	3,943
March 22, 2034	4.50	38,212	3,518
June 22, 2034	4.50	38,642	3,088
September 22, 2034	4.50	39,076	2,654
December 22, 2034	4.50	39,516	2,214
March 22, 2035	4.50	39,961	1,769
June 22, 2035	4.50	40,410	1,320
September 22, 2035	4.50	40,865	865
December 22, 2035	4.50	35,667	405
		<u>\$ 2,801,680</u>	<u>\$ 2,450,641</u>

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1996**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
July 17, 2004	4.50 %	\$ 1,477	\$ 4,779
October 17, 2004	4.50	1,493	4,763
January 17, 2005	4.50	1,510	4,746
April 17, 2005	4.50	1,527	4,729
July 17, 2005	4.50	1,544	4,712
October 17, 2005	4.50	1,562	4,694
January 17, 2006	4.50	1,579	4,677
April 17, 2006	4.50	1,597	4,659
July 17, 2006	4.50	1,615	4,641
October 17, 2006	4.50	1,633	4,623
January 17, 2007	4.50	1,652	4,604
April 17, 2007	4.50	1,670	4,586
July 17, 2007	4.50	1,689	4,567
October 17, 2007	4.50	1,708	4,548
January 17, 2008	4.50	1,727	4,529
April 17, 2008	4.50	1,747	4,509
July 17, 2008	4.50	1,766	4,490
October 17, 2008	4.50	1,786	4,470
January 17, 2009	4.50	1,806	4,450
April 17, 2009	4.50	1,826	4,430
July 17, 2009	4.50	1,847	4,409
October 17, 2009	4.50	1,868	4,388
January 17, 2010	4.50	1,889	4,367
April 17, 2010	4.50	1,910	4,346
July 17, 2010	4.50	1,932	4,324
October 17, 2010	4.50	1,953	4,303
January 17, 2011	4.50	1,975	4,281
April 17, 2011	4.50	1,997	4,259
July 17, 2011	4.50	2,020	4,236
October 17, 2011	4.50	2,043	4,213
January 17, 2012	4.50	2,066	4,190
April 17, 2012	4.50	2,089	4,167
July 17, 2012	4.50	2,112	4,144
October 17, 2012	4.50	2,136	4,120
January 17, 2013	4.50	2,160	4,096
April 17, 2013	4.50	2,184	4,072
July 17, 2013	4.50	2,209	4,047
October 17, 2013	4.50	2,234	4,022
January 17, 2014	4.50	2,259	3,997
April 17, 2014	4.50	2,284	3,972
July 17, 2014	4.50	2,310	3,946
October 17, 2014	4.50	2,336	3,920
January 17, 2015	4.50	2,362	3,894
April 17, 2015	4.50	2,389	3,867
July 17, 2015	4.50	2,415	3,840
October 17, 2015	4.50	2,443	3,813
January 17, 2016	4.50	2,471	3,785
April 17, 2016	4.50	2,498	3,758
July 17, 2016	4.50	2,526	3,730
October 17, 2016	4.50	2,555	3,701
January 17, 2017	4.50	2,584	3,672
April 17, 2017	4.50	2,613	3,643
July 17, 2017	4.50	2,642	3,614

(continued)



**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1996**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
October 17, 2017	4.50 %	\$ 2,672	\$ 3,584
January 17, 2018	4.50	2,702	3,554
April 17, 2018	4.50	2,732	3,524
July 17, 2018	4.50	2,763	3,493
October 17, 2018	4.50	2,794	3,462
January 17, 2019	4.50	2,825	3,431
April 17, 2019	4.50	2,857	3,398
July 17, 2019	4.50	2,889	3,367
October 17, 2019	4.50	2,923	3,334
January 17, 2020	4.50	2,955	3,301
April 17, 2020	4.50	2,988	3,268
July 17, 2020	4.50	3,022	3,234
October 17, 2020	4.50	3,056	3,200
January 17, 2021	4.50	3,090	3,166
April 17, 2021	4.50	3,125	3,131
July 17, 2021	4.50	3,160	3,096
October 17, 2021	4.50	3,195	3,061
January 17, 2022	4.50	3,231	3,025
April 17, 2022	4.50	3,268	2,988
July 17, 2022	4.50	3,305	2,951
October 17, 2022	4.50	3,342	2,914
January 17, 2023	4.50	3,379	2,877
April 17, 2023	4.50	3,417	2,839
July 17, 2023	4.50	3,456	2,800
October 17, 2023	4.50	3,495	2,761
January 17, 2024	4.50	3,534	2,722
April 17, 2024	4.50	3,574	2,682
July 17, 2024	4.50	3,614	2,642
October 17, 2024	4.50	3,655	2,601
January 17, 2025	4.50	3,696	2,560
April 17, 2025	4.50	3,737	2,519
July 17, 2025	4.50	3,779	2,477
October 17, 2025	4.50	3,822	2,434
January 17, 2026	4.50	3,865	2,391
April 17, 2026	4.50	3,908	2,348
July 17, 2026	4.50	3,952	2,304
October 17, 2026	4.50	3,997	2,259
January 17, 2027	4.50	4,042	2,214
April 17, 2027	4.50	4,087	2,169
July 17, 2027	4.50	4,133	2,123
October 17, 2027	4.50	4,180	2,076
January 17, 2028	4.50	4,227	2,029
April 17, 2028	4.50	4,274	1,982
July 17, 2028	4.50	4,322	1,934
October 17, 2028	4.50	4,371	1,885
January 17, 2029	4.50	4,420	1,836
April 17, 2029	4.50	4,470	1,786
July 17, 2029	4.50	4,520	1,736
October 17, 2029	4.50	4,571	1,685
January 17, 2030	4.50	4,622	1,634
April 17, 2030	4.50	4,674	1,582
July 17, 2030	4.50	4,727	1,529
October 17, 2030	4.50	4,780	1,476

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1996**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
January 17, 2031	4.50 %	\$ 4,834	\$ 1,422
April 17, 2031	4.50	4,888	1,368
July 17, 2031	4.50	4,943	1,313
October 17, 2031	4.50	4,999	1,257
January 17, 2032	4.50	5,055	1,201
April 17, 2032	4.50	5,112	1,144
July 17, 2032	4.50	5,170	1,086
October 17, 2032	4.50	5,228	1,028
January 17, 2033	4.50	5,287	969
April 17, 2033	4.50	5,346	910
July 17, 2033	4.50	5,406	850
October 17, 2033	4.50	5,467	789
January 17, 2034	4.50	5,528	728
April 17, 2034	4.50	5,590	665
July 17, 2034	4.50	5,654	602
October 17, 2034	4.50	5,717	539
January 17, 2035	4.50	5,781	475
April 17, 2035	4.50	5,847	409
July 17, 2035	4.50	5,912	344
October 17, 2035	4.50	5,979	277
January 17, 2036	4.50	6,046	210
April 17, 2036	4.50	6,114	142
July 17, 2036	4.50	5,141	73
October 17, 2036	4.50	2,860	3
		<u>\$ 426,323</u>	<u>\$ 382,520</u>

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 1997**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
June 15, 2005	1.50 %	\$ 460,375	\$ 132,597
June 15, 2006	1.50	467,280	125,692
June 15, 2007	1.50	474,290	118,682
June 15, 2008	1.50	481,404	111,568
June 15, 2009	1.50	488,625	104,347
June 15, 2010	1.50	495,954	97,018
June 15, 2011	1.50	503,394	89,578
June 15, 2012	1.50	510,945	82,027
June 15, 2013	1.50	518,609	74,363
June 15, 2014	1.50	526,388	66,584
June 15, 2015	1.50	534,284	58,688
June 15, 2016	1.50	542,298	50,674
June 15, 2017	1.50	550,432	42,540
June 15, 2018	1.50	558,689	34,283
June 15, 2019	1.50	567,069	25,903
June 15, 2020	1.50	575,575	17,397
June 15, 2021	1.50	584,210	8,762
		<u>\$ 8,839,821</u>	<u>\$ 1,240,703</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2000  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 31, 2005	1.50 %	\$ 278,255	\$ 96,930
June 30, 2006	1.50	280,342	94,843
December 31, 2006	1.50	282,444	92,740
June 30, 2007	1.50	284,562	90,622
December 31, 2007	1.50	286,697	88,488
June 30, 2008	1.50	288,847	86,337
December 31, 2008	1.50	291,013	84,171
June 30, 2009	1.50	293,196	81,988
December 31, 2009	1.50	295,395	79,789
June 30, 2010	1.50	297,610	77,574
December 31, 2010	1.50	299,842	75,342
June 30, 2011	1.50	302,091	73,093
December 31, 2011	1.50	304,357	70,827
June 30, 2012	1.50	306,640	68,545
December 31, 2012	1.50	308,939	66,245
June 30, 2013	1.50	311,256	63,928
December 31, 2013	1.50	313,591	61,593
June 30, 2014	1.50	315,943	59,242
December 31, 2014	1.50	318,312	56,872
June 30, 2015	1.50	320,700	54,485
December 31, 2015	1.50	323,105	52,079
June 30, 2016	1.50	325,528	49,656
December 31, 2016	1.50	327,970	47,215
June 30, 2017	1.50	330,429	44,755
December 31, 2017	1.50	332,908	42,277
June 30, 2018	1.50	335,404	39,780
December 31, 2018	1.50	337,920	37,264
June 30, 2019	1.50	340,454	34,730
December 31, 2019	1.50	343,008	32,177
June 30, 2020	1.50	345,580	29,604
December 31, 2020	1.50	348,172	27,012
June 30, 2021	1.50	350,784	24,401
December 31, 2021	1.50	353,414	21,770
June 30, 2022	1.50	356,065	19,119
December 31, 2022	1.50	358,735	16,449
June 30, 2023	1.50	361,426	13,758
December 31, 2023	1.50	364,137	11,048
June 30, 2024	1.50	366,868	8,317
December 31, 2024	1.50	369,619	5,565
June 30, 2025	1.50	372,393	2,791
		<u>\$ 12,923,951</u>	<u>\$ 2,083,421</u>

Accrued interest during construction will be included in the principal amount and amortized over the life of the loan upon project completion.

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2000  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 15, 2004	1.50 %	\$ 37,619	\$ 12,727
June 15, 2005	1.50	37,901	12,445
December 15, 2005	1.50	38,186	12,161
June 15, 2006	1.50	38,472	11,874
December 15, 2006	1.50	38,760	11,586
June 15, 2007	1.50	39,051	11,295
December 15, 2007	1.50	39,344	11,002
June 15, 2008	1.50	39,639	10,707
December 15, 2008	1.50	39,936	10,410
June 15, 2009	1.50	40,236	10,110
December 15, 2009	1.50	40,538	9,808
June 15, 2010	1.50	40,842	9,504
December 15, 2010	1.50	41,148	9,198
June 15, 2011	1.50	41,457	8,889
December 15, 2011	1.50	41,768	8,579
June 15, 2012	1.50	42,081	8,265
December 15, 2012	1.50	42,396	7,950
June 15, 2013	1.50	42,714	7,632
December 15, 2013	1.50	43,035	7,311
June 15, 2014	1.50	43,358	6,989
December 15, 2014	1.50	43,683	6,663
June 15, 2015	1.50	44,010	6,336
December 15, 2015	1.50	44,340	6,006
June 15, 2016	1.50	44,673	5,673
December 15, 2016	1.50	45,008	5,338
June 15, 2017	1.50	45,346	5,001
December 15, 2017	1.50	45,686	4,660
June 15, 2018	1.50	46,028	4,318
December 15, 2018	1.50	46,374	3,973
June 15, 2019	1.50	46,721	3,625
December 15, 2019	1.50	47,072	3,274
June 15, 2020	1.50	47,425	2,921
December 15, 2020	1.50	47,780	2,566
June 15, 2021	1.50	48,139	2,207
December 15, 2021	1.50	48,500	1,846
June 15, 2022	1.50	48,864	1,482
December 15, 2022	1.50	49,230	1,116
June 15, 2023	1.50	49,599	747
December 15, 2023	1.50	49,970	374
		<u>\$ 1,696,929</u>	<u>\$ 266,568</u>

Accrued interest during construction will be included in the principal amount and amortized over the life of the loan upon project completion.

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2001  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 1, 2004	4.50 %	\$ 25,845	\$ 109,242
December 1, 2004	4.50	26,136	108,951
March 1, 2005	4.50	26,430	108,657
June 1, 2005	4.50	26,727	108,360
September 1, 2005	4.50	27,028	108,059
December 1, 2005	4.50	27,332	107,755
March 1, 2006	4.50	27,639	107,448
June 1, 2006	4.50	27,950	107,137
September 1, 2006	4.50	28,265	106,822
December 1, 2006	4.50	28,583	106,504
March 1, 2007	4.50	28,904	106,183
June 1, 2007	4.50	29,229	105,858
September 1, 2007	4.50	29,558	105,529
December 1, 2007	4.50	29,891	105,196
March 1, 2008	4.50	30,227	104,860
June 1, 2008	4.50	30,567	104,520
September 1, 2008	4.50	30,911	104,176
December 1, 2008	4.50	31,259	103,828
March 1, 2009	4.50	31,610	103,477
June 1, 2009	4.50	31,967	103,120
September 1, 2009	4.50	32,326	102,761
December 1, 2009	4.50	32,689	102,398
March 1, 2010	4.50	33,057	102,030
June 1, 2010	4.50	33,429	101,658
September 1, 2010	4.50	33,805	101,282
December 1, 2010	4.50	34,185	100,902
March 1, 2011	4.50	34,570	100,517
June 1, 2011	4.50	34,959	100,128
September 1, 2011	4.50	35,352	99,735
December 1, 2011	4.50	35,750	99,337
March 1, 2012	4.50	36,152	98,935
June 1, 2012	4.50	36,559	98,528
September 1, 2012	4.50	36,970	98,117
December 1, 2012	4.50	37,386	97,701
March 1, 2013	4.50	37,807	97,280
June 1, 2013	4.50	38,232	96,855
September 1, 2013	4.50	38,662	96,425
December 1, 2013	4.50	39,097	95,990
March 1, 2014	4.50	39,537	95,550
June 1, 2014	4.50	39,982	95,105
September 1, 2014	4.50	40,431	94,656
December 1, 2014	4.50	40,886	94,201
March 1, 2015	4.50	41,346	93,741
June 1, 2015	4.50	41,811	93,276
September 1, 2015	4.50	42,282	92,805
December 1, 2015	4.50	42,757	92,330
March 1, 2016	4.50	43,238	91,849
June 1, 2016	4.50	43,725	91,362
September 1, 2016	4.50	44,217	90,870
December 1, 2016	4.50	44,714	90,373
March 1, 2017	4.50	45,217	89,870
June 1, 2017	4.50	45,726	89,361
September 1, 2017	4.50	46,240	88,847

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 2001**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 1, 2017	4.50 %	\$ 46,761	\$ 88,326
March 1, 2018	4.50	47,287	87,800
June 1, 2018	4.50	47,819	87,268
September 1, 2018	4.50	48,357	86,730
December 1, 2018	4.50	48,901	86,186
March 1, 2019	4.50	49,451	85,636
June 1, 2019	4.50	50,007	85,080
September 1, 2019	4.50	50,570	84,517
December 1, 2019	4.50	51,138	83,949
March 1, 2020	4.50	51,714	83,373
June 1, 2020	4.50	52,296	82,791
September 1, 2020	4.50	52,884	82,203
December 1, 2020	4.50	53,479	81,608
March 1, 2021	4.50	54,080	81,007
June 1, 2021	4.50	54,689	80,398
September 1, 2021	4.50	55,304	79,783
December 1, 2021	4.50	55,926	79,161
March 1, 2022	4.50	56,555	78,532
June 1, 2022	4.50	57,192	77,895
September 1, 2022	4.50	57,835	77,252
December 1, 2022	4.50	58,486	76,601
March 1, 2023	4.50	59,144	75,943
June 1, 2023	4.50	59,809	75,278
September 1, 2023	4.50	60,482	74,605
December 1, 2023	4.50	61,162	73,925
March 1, 2024	4.50	61,850	73,237
June 1, 2024	4.50	62,546	72,541
September 1, 2024	4.50	63,250	71,837
December 1, 2024	4.50	63,961	71,126
March 1, 2025	4.50	64,681	70,406
June 1, 2025	4.50	65,409	69,678
September 1, 2025	4.50	66,145	68,942
December 1, 2025	4.50	66,889	68,198
March 1, 2026	4.50	67,641	67,446
June 1, 2026	4.50	68,402	66,685
September 1, 2026	4.50	69,172	65,915
December 1, 2026	4.50	69,950	65,137
March 1, 2027	4.50	70,737	64,350
June 1, 2027	4.50	71,533	63,554
September 1, 2027	4.50	72,337	62,750
December 1, 2027	4.50	73,151	61,936
March 1, 2028	4.50	73,974	61,113
June 1, 2028	4.50	74,806	60,281
September 1, 2028	4.50	75,648	59,439
December 1, 2028	4.50	76,499	58,588
March 1, 2029	4.50	77,359	57,728
June 1, 2029	4.50	78,230	56,857
September 1, 2029	4.50	79,110	55,977
December 1, 2029	4.50	80,000	55,087
March 1, 2030	4.50	80,900	54,187
June 1, 2030	4.50	81,810	53,277
September 1, 2030	4.50	82,730	52,357
December 1, 2030	4.50	83,661	51,426

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2001  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
March 1, 2031	4.50 %	\$ 84,602	\$ 50,485
June 1, 2031	4.50	85,554	49,533
September 1, 2031	4.50	86,517	48,570
December 1, 2031	4.50	87,490	47,597
March 1, 2032	4.50	88,474	46,613
June 1, 2032	4.50	89,469	45,618
September 1, 2032	4.50	90,476	44,611
December 1, 2032	4.50	91,494	43,593
March 1, 2033	4.50	92,523	42,564
June 1, 2033	4.50	93,564	41,523
September 1, 2033	4.50	94,617	40,470
December 1, 2033	4.50	95,681	39,406
March 1, 2034	4.50	96,757	38,330
June 1, 2034	4.50	97,846	37,241
September 1, 2034	4.50	98,947	36,140
December 1, 2034	4.50	100,060	35,027
March 1, 2035	4.50	101,186	33,901
June 1, 2035	4.50	102,324	32,763
September 1, 2035	4.50	103,475	31,612
December 1, 2035	4.50	104,639	30,448
March 1, 2036	4.50	105,816	29,271
June 1, 2036	4.50	107,007	28,080
September 1, 2036	4.50	108,211	26,876
December 1, 2036	4.50	109,428	25,659
March 1, 2037	4.50	110,659	24,428
June 1, 2037	4.50	111,904	23,183
September 1, 2037	4.50	113,163	21,924
December 1, 2037	4.50	114,436	20,651
March 1, 2038	4.50	115,723	19,364
June 1, 2038	4.50	117,025	18,062
September 1, 2038	4.50	118,342	16,745
December 1, 2038	4.50	119,673	15,414
March 1, 2039	4.50	121,019	14,068
June 1, 2039	4.50	122,381	12,706
September 1, 2039	4.50	123,758	11,329
December 1, 2039	4.50	125,150	9,937
March 1, 2040	4.50	126,558	8,529
June 1, 2040	4.50	127,982	7,105
September 1, 2040	4.50	129,421	5,666
December 1, 2040	4.50	130,877	4,210
March 1, 2041	4.50	132,350	2,737
June 1, 2041	4.50	110,955	1,250
		<u>\$ 9,710,396</u>	<u>\$ 10,259,598</u>

(continued)



**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 2001**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
October 15, 2004	4.00 %	\$ 2,710,000	\$ 110,000
April 15, 2005	-	-	55,800
October 15, 2005	4.00	2,790,000	55,800
		<u>\$ 5,500,000</u>	<u>\$ 221,600</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2002  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
December 31, 2007	1.50 %	\$ 253	\$ 90
June 30, 2008	1.50	254	89
December 31, 2008	1.50	256	87
June 30, 2009	1.50	258	85
December 31, 2009	1.50	260	83
June 30, 2010	1.50	262	81
December 31, 2010	1.50	264	79
June 30, 2011	1.50	266	77
December 31, 2011	1.50	268	75
June 30, 2012	1.50	270	73
December 31, 2012	1.50	272	71
June 30, 2013	1.50	274	69
December 31, 2013	1.50	276	67
June 30, 2014	1.50	278	65
December 31, 2014	1.50	280	63
June 30, 2015	1.50	283	60
December 31, 2015	1.50	284	59
June 30, 2016	1.50	287	56
December 31, 2016	1.50	289	54
June 30, 2017	1.50	291	52
December 31, 2017	1.50	293	50
June 30, 2018	1.50	295	48
December 31, 2018	1.50	297	46
June 30, 2019	1.50	300	43
December 31, 2019	1.50	302	41
June 30, 2020	1.50	304	39
December 31, 2020	1.50	307	36
June 30, 2021	1.50	309	34
December 31, 2021	1.50	311	32
June 30, 2022	1.50	314	29
December 31, 2022	1.50	316	27
June 30, 2023	1.50	318	25
December 31, 2023	1.50	321	22
June 30, 2024	1.50	323	20
December 31, 2024	1.50	325	17
June 30, 2025	1.50	328	16
December 31, 2025	1.50	330	13
June 30, 2026	1.50	333	10
December 31, 2026	1.50	335	7
June 30, 2027	1.50	338	3
December 31, 2027	1.50	340	2
		<u>\$ 12,064</u>	<u>\$ 1,995</u>

Accrued interest during construction will be included in the principal amount and amortized over the life of the loan upon project completion.

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 2002**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 31, 2005	1.50 %	\$ 935	\$ 336
June 30, 2006	1.50	943	328
December 31, 2006	1.50	949	322
June 30, 2007	1.50	957	314
December 31, 2007	1.50	964	307
June 30, 2008	1.50	971	300
December 31, 2008	1.50	978	293
June 30, 2009	1.50	986	285
December 31, 2009	1.50	993	278
June 30, 2010	1.50	1,001	270
December 31, 2010	1.50	1,008	263
June 30, 2011	1.50	1,016	255
December 31, 2011	1.50	1,023	248
June 30, 2012	1.50	1,031	240
December 31, 2012	1.50	1,039	232
June 30, 2013	1.50	1,046	225
December 31, 2013	1.50	1,055	216
June 30, 2014	1.50	1,062	209
December 31, 2014	1.50	1,070	200
June 30, 2015	1.50	1,079	193
December 31, 2015	1.50	1,086	185
June 30, 2016	1.50	1,095	176
December 31, 2016	1.50	1,103	168
June 30, 2017	1.50	1,111	160
December 31, 2017	1.50	1,119	152
June 30, 2018	1.50	1,128	143
December 31, 2018	1.50	1,136	135
June 30, 2019	1.50	1,145	126
December 31, 2019	1.50	1,153	118
June 30, 2020	1.50	1,162	109
December 31, 2020	1.50	1,171	100
June 30, 2021	1.50	1,179	92
December 31, 2021	1.50	1,189	82
June 30, 2022	1.50	1,197	74
December 31, 2022	1.50	1,206	65
June 30, 2023	1.50	1,215	56
December 31, 2023	1.50	1,224	47
June 30, 2024	1.50	1,234	37
December 31, 2024	1.50	1,243	28
June 30, 2025	1.50	1,252	19
December 31, 2025	1.50	1,260	7
		<u>\$ 44,714</u>	<u>\$ 7,393</u>

Accrued interest during construction will be included in the principal amount and amortized over the life of the loan upon project completion.

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 2002**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 31, 2006	3.175 %	\$ 1,513	\$ 1,373
June 30, 2007	3.175	1,537	1,349
December 31, 2007	3.175	1,562	1,324
June 30, 2008	3.175	1,586	1,300
December 31, 2008	3.175	1,611	1,275
June 30, 2009	3.175	1,637	1,249
December 31, 2009	3.175	1,663	1,223
June 30, 2010	3.175	1,690	1,196
December 31, 2010	3.175	1,716	1,170
June 30, 2011	3.175	1,744	1,142
December 31, 2011	3.175	1,771	1,115
June 30, 2012	3.175	1,799	1,087
December 31, 2012	3.175	1,828	1,058
June 30, 2013	3.175	1,857	1,029
December 31, 2013	3.175	1,886	1,000
June 30, 2014	3.175	1,916	970
December 31, 2014	3.175	1,947	939
June 30, 2015	3.175	1,978	908
December 31, 2015	3.175	2,009	877
June 30, 2016	3.175	2,041	845
December 31, 2016	3.175	2,074	812
June 30, 2017	3.175	2,106	780
December 31, 2017	3.175	2,140	747
June 30, 2018	3.175	2,173	712
December 31, 2018	3.175	2,208	678
June 30, 2019	3.175	2,244	642
December 31, 2019	3.175	2,279	607
June 30, 2020	3.175	2,315	571
December 31, 2020	3.175	2,352	534
June 30, 2021	3.175	2,389	497
December 31, 2021	3.175	2,427	459
June 30, 2022	3.175	2,466	421
December 31, 2022	3.175	2,505	381
June 30, 2023	3.175	2,544	342
December 31, 2023	3.175	2,585	301
June 30, 2024	3.175	2,626	260
December 31, 2024	3.175	2,667	219
June 30, 2025	3.175	2,710	176
December 31, 2025	3.175	2,753	133
June 30, 2026	3.175	2,795	90
December 31, 2026	3.175	2,844	51
		<u>\$ 86,493</u>	<u>\$ 31,842</u>

Accrued interest during construction will be included in the principal amount and amortized over the life of the loan upon project completion.

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 31, 2004	2.00 %	\$ -	\$ 4,978
June 30, 2005	2.00	-	4,978
December 31, 2005	2.00	-	4,978
June 30, 2006	2.00	10,833	4,978
December 31, 2006	2.00	10,941	4,870
June 30, 2007	2.00	11,051	4,760
December 31, 2007	2.00	11,161	4,650
June 30, 2008	2.00	11,273	4,538
December 31, 2008	2.00	11,386	4,425
June 30, 2009	2.00	11,500	4,312
December 31, 2009	2.00	11,615	4,197
June 30, 2010	2.00	11,731	4,080
December 31, 2010	2.00	11,848	3,963
June 30, 2011	2.00	11,966	3,845
December 31, 2011	2.00	12,086	3,725
June 30, 2012	2.00	12,207	3,604
December 31, 2012	2.00	12,329	3,482
June 30, 2013	2.00	12,452	3,359
December 31, 2013	2.00	12,577	3,234
June 30, 2014	2.00	12,703	3,109
December 31, 2014	2.00	12,830	2,982
June 30, 2015	2.00	12,958	2,853
December 31, 2015	2.00	13,088	2,724
June 30, 2016	2.00	13,218	2,593
December 31, 2016	2.00	13,351	2,461
June 30, 2017	2.00	13,484	2,327
December 31, 2017	2.00	13,619	2,192
June 30, 2018	2.00	13,755	2,056
December 31, 2018	2.00	13,893	1,918
June 30, 2019	2.00	14,032	1,780
December 31, 2019	2.00	14,172	1,639
June 30, 2020	2.00	14,314	1,498
December 31, 2020	2.00	14,457	1,354
June 30, 2021	2.00	14,601	1,210
December 31, 2021	2.00	14,747	1,064
June 30, 2022	2.00	14,895	916
December 31, 2022	2.00	15,044	767
June 30, 2023	2.00	15,194	617
December 31, 2023	2.00	15,346	465
June 30, 2024	2.00	15,500	312
December 31, 2024	2.00	15,651	156
		<u>\$ 497,808</u>	<u>\$ 117,949</u>

Accrued interest during construction will be included in the principal amount and amortized over the life of the loan upon project completion.

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
October 15, 2004	2.500 %	\$ 145,000	\$ 687,181
April 15, 2005	-	-	685,369
October 15, 2005	2.500	155,000	685,369
April 15, 2006	-	-	683,431
October 15, 2006	3.250	2,115,000	683,431
April 15, 2007	-	-	649,063
October 15, 2007	5.000	2,185,000	649,063
April 15, 2008	-	-	594,438
October 15, 2008	5.000	2,295,000	594,438
April 15, 2009	-	-	537,063
October 15, 2009	5.000	2,425,000	537,063
April 15, 2010	-	-	476,438
October 15, 2010	5.000	2,540,000	476,438
April 15, 2011	-	-	412,938
October 15, 2011	5.000	2,670,000	412,938
April 15, 2012	-	-	346,188
October 15, 2012	4.000	2,810,000	346,188
April 15, 2013	-	-	289,988
October 15, 2013	4.000	2,570,000	289,988
April 15, 2014	-	-	238,588
October 15, 2014	4.000	1,945,000	238,588
April 15, 2015	-	-	199,688
October 15, 2015	4.000	1,790,000	199,688
April 15, 2016	-	-	163,888
October 15, 2016	4.125	1,875,000	163,888
April 15, 2017	-	-	125,216
October 15, 2017	4.250	1,185,000	125,216
April 15, 2018	-	-	100,034
October 15, 2018	4.250	1,235,000	100,034
April 15, 2019	-	-	73,791
October 15, 2019	4.375	1,290,000	73,791
April 15, 2020	-	-	45,572
October 15, 2020	4.375	1,345,000	45,572
April 15, 2021	-	-	16,150
October 15, 2021	4.750	45,000	16,150
April 15, 2022	-	-	15,081
October 15, 2022	4.750	50,000	15,081
April 15, 2023	-	-	13,894
October 15, 2023	4.750	50,000	13,894
April 15, 2024	-	-	12,706
October 15, 2024	4.750	55,000	12,706
April 15, 2025	-	-	11,400
October 15, 2025	4.750	55,000	11,400
April 15, 2026	-	-	10,094
October 15, 2026	4.750	60,000	10,094
April 15, 2027	-	-	8,669
October 15, 2027	4.750	65,000	8,669
April 15, 2028	-	-	7,125
October 15, 2028	4.750	65,000	7,125
April 15, 2029	-	-	5,581
October 15, 2029	4.750	70,000	5,581
April 15, 2030	-	-	3,919
October 15, 2030	4.750	75,000	3,919

(continued)

**SUSSEX COUNTY, DELAWARE**  
**BONDED DEBT GENERAL OBLIGATION - 2003**  
**(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED**  
**JUNE 30, 2004**

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
April 15, 2031	- %	\$ -	\$ 2,138
October 15, 2031	4.750	75,000	2,138
April 15, 2032	-	-	356
October 15, 2032	4.750	15,000	356
		<u>\$ 31,255,000</u>	<u>\$ 12,144,793</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 25, 2004	4.25 %	\$ 2,024	\$ 8,596
December 25, 2004	4.25	2,045	8,575
March 25, 2005	4.25	2,067	8,553
June 25, 2005	4.25	2,089	8,531
September 25, 2005	4.25	2,111	8,509
December 25, 2005	4.25	2,134	8,486
March 25, 2006	4.25	2,156	8,464
June 25, 2006	4.25	2,179	8,441
September 25, 2006	4.25	2,202	8,418
December 25, 2006	4.25	2,226	8,394
March 25, 2007	4.25	2,249	8,371
June 25, 2007	4.25	2,273	8,347
September 25, 2007	4.25	2,297	8,323
December 25, 2007	4.25	2,322	8,298
March 25, 2008	4.25	2,347	8,273
June 25, 2008	4.25	2,371	8,249
September 25, 2008	4.25	2,397	8,223
December 25, 2008	4.25	2,422	8,198
March 25, 2009	4.25	2,448	8,172
June 25, 2009	4.25	2,474	8,146
September 25, 2009	4.25	2,500	8,120
December 25, 2009	4.25	2,527	8,093
March 25, 2010	4.25	2,554	8,066
June 25, 2010	4.25	2,581	8,039
September 25, 2010	4.25	2,608	8,012
December 25, 2010	4.25	2,636	7,984
March 25, 2011	4.25	2,664	7,956
June 25, 2011	4.25	2,692	7,928
September 25, 2011	4.25	2,721	7,899
December 25, 2011	4.25	2,750	7,870
March 25, 2012	4.25	2,779	7,841
June 25, 2012	4.25	2,808	7,812
September 25, 2012	4.25	2,838	7,782
December 25, 2012	4.25	2,868	7,752
March 25, 2013	4.25	2,899	7,721
June 25, 2013	4.25	2,930	7,690
September 25, 2013	4.25	2,961	7,659
December 25, 2013	4.25	2,992	7,628
March 25, 2014	4.25	3,024	7,596
June 25, 2014	4.25	3,056	7,564
September 25, 2014	4.25	3,089	7,531
December 25, 2014	4.25	3,121	7,499
March 25, 2015	4.25	3,155	7,465
June 25, 2015	4.25	3,188	7,432
September 25, 2015	4.25	3,222	7,398
December 25, 2015	4.25	3,256	7,364
March 25, 2016	4.25	3,291	7,329
June 25, 2016	4.25	3,326	7,294
September 25, 2016	4.25	3,361	7,259
December 25, 2016	4.25	3,397	7,223
March 25, 2017	4.25	3,433	7,187
June 25, 2017	4.25	3,469	7,151
September 25, 2017	4.25	3,506	7,114

(continued)



SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
December 25, 2017	4.25 %	\$ 3,544	\$ 7,076
March 25, 2018	4.25	3,581	7,039
June 25, 2018	4.25	3,619	7,001
September 25, 2018	4.25	3,658	6,962
December 25, 2018	4.25	3,697	6,923
March 25, 2019	4.25	3,736	6,884
June 25, 2019	4.25	3,776	6,844
September 25, 2019	4.25	3,816	6,804
December 25, 2019	4.25	3,856	6,764
March 25, 2020	4.25	3,897	6,723
June 25, 2020	4.25	3,939	6,681
September 25, 2020	4.25	3,980	6,640
December 25, 2020	4.25	4,023	6,597
March 25, 2021	4.25	4,065	6,555
June 25, 2021	4.25	4,109	6,511
September 25, 2021	4.25	4,152	6,468
December 25, 2021	4.25	4,196	6,424
March 25, 2022	4.25	4,241	6,379
June 25, 2022	4.25	4,286	6,334
September 25, 2022	4.25	4,332	6,288
December 25, 2022	4.25	4,378	6,242
March 25, 2023	4.25	4,424	6,196
June 25, 2023	4.25	4,471	6,149
September 25, 2023	4.25	4,519	6,101
December 25, 2023	4.25	4,567	6,053
March 25, 2024	4.25	4,615	6,005
June 25, 2024	4.25	4,664	5,956
September 25, 2024	4.25	4,714	5,906
December 25, 2024	4.25	4,764	5,856
March 25, 2025	4.25	4,814	5,806
June 25, 2025	4.25	4,866	5,754
September 25, 2025	4.25	4,917	5,703
December 25, 2025	4.25	4,970	5,650
March 25, 2026	4.25	5,022	5,598
June 25, 2026	4.25	5,076	5,544
September 25, 2026	4.25	5,130	5,490
December 25, 2026	4.25	5,184	5,436
March 25, 2027	4.25	5,239	5,381
June 25, 2027	4.25	5,295	5,325
September 25, 2027	4.25	5,351	5,269
December 25, 2027	4.25	5,408	5,212
March 25, 2028	4.25	5,465	5,155
June 25, 2028	4.25	5,524	5,096
September 25, 2028	4.25	5,582	5,038
December 25, 2028	4.25	5,642	4,978
March 25, 2029	4.25	5,702	4,919
June 25, 2029	4.25	5,762	4,858
September 25, 2029	4.25	5,823	4,797
December 25, 2029	4.25	5,885	4,735
March 25, 2030	4.25	5,948	4,672
June 25, 2030	4.25	6,011	4,609
September 25, 2030	4.25	6,075	4,545
December 25, 2030	4.25	6,139	4,481

(continued)

SUSSEX COUNTY, DELAWARE  
BONDED DEBT GENERAL OBLIGATION - 2003  
(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
March 25, 2031	4.25 %	\$ 6,205	\$ 4,415
June 25, 2031	4.25	6,271	4,350
September 25, 2031	4.25	6,337	4,283
December 25, 2031	4.25	6,404	4,216
March 25, 2032	4.25	6,472	4,148
June 25, 2032	4.25	6,541	4,079
September 25, 2032	4.25	6,611	4,009
December 25, 2032	4.25	6,681	3,939
March 25, 2033	4.25	6,752	3,868
June 25, 2033	4.25	6,824	3,796
September 25, 2033	4.25	6,896	3,724
December 25, 2033	4.25	6,969	3,651
March 25, 2034	4.25	7,044	3,576
June 25, 2034	4.25	7,118	3,502
September 25, 2034	4.25	7,194	3,426
December 25, 2034	4.25	7,270	3,350
March 25, 2035	4.25	7,348	3,272
June 25, 2035	4.25	7,426	3,194
September 25, 2035	4.25	7,505	3,115
December 25, 2035	4.25	7,584	3,036
March 25, 2036	4.25	7,665	2,955
June 25, 2036	4.25	7,746	2,874
September 25, 2036	4.25	7,829	2,791
December 25, 2036	4.25	7,912	2,708
March 25, 2037	4.25	7,996	2,624
June 25, 2037	4.25	8,081	2,539
September 25, 2037	4.25	8,167	2,453
December 25, 2037	4.25	8,254	2,366
March 25, 2038	4.25	8,341	2,279
June 25, 2038	4.25	8,430	2,190
September 25, 2038	4.25	8,519	2,101
December 25, 2038	4.25	8,610	2,010
March 25, 2039	4.25	8,701	1,919
June 25, 2039	4.25	8,794	1,826
September 25, 2039	4.25	8,887	1,733
December 25, 2039	4.25	8,982	1,638
March 25, 2040	4.25	9,077	1,543
June 25, 2040	4.25	9,174	1,446
September 25, 2040	4.25	9,271	1,349
December 25, 2040	4.25	9,370	1,250
March 25, 2041	4.25	9,469	1,151
June 25, 2041	4.25	9,570	1,050
September 25, 2041	4.25	9,672	949
December 25, 2041	4.25	9,774	846
March 25, 2042	4.25	9,878	742
June 25, 2042	4.25	9,983	637
September 25, 2042	4.25	10,089	531
December 25, 2042	4.25	10,196	424
March 25, 2043	4.25	10,305	315
June 25, 2043	4.25	10,414	206
September 25, 2043	4.25	8,963	95
		<u>\$ 809,055</u>	<u>\$ 856,726</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 25, 2004	4.25 %	\$ 3,104	\$ 13,184
December 25, 2004	4.25	3,137	13,151
March 25, 2005	4.25	3,170	13,118
June 25, 2005	4.25	3,204	13,084
September 25, 2005	4.25	3,238	13,050
December 25, 2005	4.25	3,272	13,016
March 25, 2006	4.25	3,307	12,981
June 25, 2006	4.25	3,342	12,946
September 25, 2006	4.25	3,377	12,911
December 25, 2006	4.25	3,413	12,875
March 25, 2007	4.25	3,450	12,838
June 25, 2007	4.25	3,486	12,802
September 25, 2007	4.25	3,523	12,765
December 25, 2007	4.25	3,561	12,727
March 25, 2008	4.25	3,599	12,689
June 25, 2008	4.25	3,637	12,651
September 25, 2008	4.25	3,675	12,613
December 25, 2008	4.25	3,714	12,574
March 25, 2009	4.25	3,754	12,534
June 25, 2009	4.25	3,794	12,494
September 25, 2009	4.25	3,834	12,454
December 25, 2009	4.25	3,875	12,413
March 25, 2010	4.25	3,916	12,372
June 25, 2010	4.25	3,958	12,330
September 25, 2010	4.25	4,000	12,288
December 25, 2010	4.25	4,042	12,246
March 25, 2011	4.25	4,085	12,203
June 25, 2011	4.25	4,129	12,159
September 25, 2011	4.25	4,172	12,116
December 25, 2011	4.25	4,217	12,071
March 25, 2012	4.25	4,262	12,026
June 25, 2012	4.25	4,307	11,981
September 25, 2012	4.25	4,353	11,935
December 25, 2012	4.25	4,399	11,889
March 25, 2013	4.25	4,446	11,842
June 25, 2013	4.25	4,493	11,795
September 25, 2013	4.25	4,541	11,747
December 25, 2013	4.25	4,589	11,699
March 25, 2014	4.25	4,638	11,650
June 25, 2014	4.25	4,687	11,601
September 25, 2014	4.25	4,737	11,551
December 25, 2014	4.25	4,787	11,501
March 25, 2015	4.25	4,838	11,450
June 25, 2015	4.25	4,889	11,399
September 25, 2015	4.25	4,941	11,347
December 25, 2015	4.25	4,994	11,294
March 25, 2016	4.25	5,047	11,241
June 25, 2016	4.25	5,100	11,188
September 25, 2016	4.25	5,155	11,133
December 25, 2016	4.25	5,209	11,079
March 25, 2017	4.25	5,265	11,023
June 25, 2017	4.25	5,321	10,967
September 25, 2017	4.25	5,377	10,911

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SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
December 25, 2017	4.25 %	\$ 5,434	\$ 10,854
March 25, 2018	4.25	5,492	10,796
June 25, 2018	4.25	5,550	10,738
September 25, 2018	4.25	5,609	10,679
December 25, 2018	4.25	5,669	10,619
March 25, 2019	4.25	5,729	10,559
June 25, 2019	4.25	5,790	10,498
September 25, 2019	4.25	5,852	10,436
December 25, 2019	4.25	5,914	10,374
March 25, 2020	4.25	5,977	10,311
June 25, 2020	4.25	6,040	10,248
September 25, 2020	4.25	6,104	10,184
December 25, 2020	4.25	6,169	10,119
March 25, 2021	4.25	6,235	10,053
June 25, 2021	4.25	6,301	9,987
September 25, 2021	4.25	6,368	9,920
December 25, 2021	4.25	6,435	9,853
March 25, 2022	4.25	6,504	9,784
June 25, 2022	4.25	6,573	9,715
September 25, 2022	4.25	6,643	9,645
December 25, 2022	4.25	6,713	9,575
March 25, 2023	4.25	6,785	9,503
June 25, 2023	4.25	6,857	9,431
September 25, 2023	4.25	6,930	9,358
December 25, 2023	4.25	7,003	9,285
March 25, 2024	4.25	7,078	9,210
June 25, 2024	4.25	7,153	9,135
September 25, 2024	4.25	7,229	9,059
December 25, 2024	4.25	7,306	8,982
March 25, 2025	4.25	7,383	8,905
June 25, 2025	4.25	7,462	8,826
September 25, 2025	4.25	7,541	8,747
December 25, 2025	4.25	7,621	8,667
March 25, 2026	4.25	7,702	8,586
June 25, 2026	4.25	7,784	8,504
September 25, 2026	4.25	7,867	8,421
December 25, 2026	4.25	7,950	8,338
March 25, 2027	4.25	8,035	8,253
June 25, 2027	4.25	8,120	8,168
September 25, 2027	4.25	8,206	8,082
December 25, 2027	4.25	8,294	7,994
March 25, 2028	4.25	8,382	7,906
June 25, 2028	4.25	8,471	7,817
September 25, 2028	4.25	8,561	7,727
December 25, 2028	4.25	8,652	7,636
March 25, 2029	4.25	8,744	7,544
June 25, 2029	4.25	8,837	7,451
September 25, 2029	4.25	8,930	7,358
December 25, 2029	4.25	9,025	7,263
March 25, 2030	4.25	9,121	7,167
June 25, 2030	4.25	9,218	7,070
September 25, 2030	4.25	9,316	6,972
December 25, 2030	4.25	9,415	6,873

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
March 25, 2031	4.25 %	\$ 9,515	\$ 6,773
June 25, 2031	4.25	9,616	6,672
September 25, 2031	4.25	9,718	6,570
December 25, 2031	4.25	9,822	6,466
March 25, 2032	4.25	9,926	6,362
June 25, 2032	4.25	10,031	6,257
September 25, 2032	4.25	10,138	6,150
December 25, 2032	4.25	10,246	6,042
March 25, 2033	4.25	10,355	5,933
June 25, 2033	4.25	10,465	5,823
September 25, 2033	4.25	10,576	5,712
December 25, 2033	4.25	10,688	5,600
March 25, 2034	4.25	10,802	5,486
June 25, 2034	4.25	10,916	5,372
September 25, 2034	4.25	11,032	5,256
December 25, 2034	4.25	11,150	5,138
March 25, 2035	4.25	11,268	5,020
June 25, 2035	4.25	11,388	4,900
September 25, 2035	4.25	11,509	4,779
December 25, 2035	4.25	11,631	4,657
March 25, 2036	4.25	11,755	4,533
June 25, 2036	4.25	11,880	4,408
September 25, 2036	4.25	12,006	4,282
December 25, 2036	4.25	12,133	4,155
March 25, 2037	4.25	12,262	4,026
June 25, 2037	4.25	12,393	3,895
September 25, 2037	4.25	12,524	3,764
December 25, 2037	4.25	12,657	3,631
March 25, 2038	4.25	12,792	3,496
June 25, 2038	4.25	12,928	3,360
September 25, 2038	4.25	13,065	3,223
December 25, 2038	4.25	13,204	3,084
March 25, 2039	4.25	13,344	2,944
June 25, 2039	4.25	13,486	2,802
September 25, 2039	4.25	13,629	2,659
December 25, 2039	4.25	13,774	2,514
March 25, 2040	4.25	13,920	2,368
June 25, 2040	4.25	14,068	2,220
September 25, 2040	4.25	14,218	2,070
December 25, 2040	4.25	14,369	1,919
March 25, 2041	4.25	14,522	1,766
June 25, 2041	4.25	14,676	1,612
September 25, 2041	4.25	14,832	1,456
December 25, 2041	4.25	14,989	1,299
March 25, 2042	4.25	15,149	1,139
June 25, 2042	4.25	15,310	978
September 25, 2042	4.25	15,472	816
December 25, 2042	4.25	15,637	651
March 25, 2043	4.25	15,803	485
June 25, 2043	4.25	15,971	317
September 25, 2043	4.25	13,885	158
		<u>\$ 1,240,884</u>	<u>\$ 1,314,087</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2003  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 13, 2004	- %	\$ 12,821	\$ -
June 13, 2005	-	12,821	-
December 13, 2005	-	12,820	-
June 13, 2006	-	12,821	-
December 13, 2006	-	12,820	-
June 13, 2007	-	12,821	-
December 13, 2007	-	12,820	-
June 13, 2008	-	12,821	-
December 13, 2008	-	12,820	-
June 13, 2009	-	12,821	-
December 13, 2009	-	12,820	-
June 13, 2010	-	12,821	-
December 13, 2010	-	12,820	-
June 13, 2011	-	12,821	-
December 13, 2011	-	12,820	-
June 13, 2012	-	12,821	-
December 13, 2012	-	12,820	-
June 13, 2013	-	12,821	-
December 13, 2013	-	12,820	-
June 13, 2014	-	12,821	-
December 13, 2014	-	12,820	-
June 13, 2015	-	12,821	-
December 13, 2015	-	12,820	-
June 13, 2016	-	12,821	-
December 13, 2016	-	12,820	-
June 13, 2017	-	12,821	-
December 13, 2017	-	12,820	-
June 13, 2018	-	12,821	-
December 13, 2018	-	12,820	-
June 13, 2019	-	12,821	-
December 13, 2019	-	12,820	-
June 13, 2020	-	12,821	-
December 13, 2020	-	12,820	-
June 13, 2021	-	12,821	-
December 13, 2021	-	12,820	-
June 13, 2022	-	12,821	-
December 13, 2022	-	12,820	-
June 13, 2023	-	12,821	-
December 13, 2023	-	12,820	-
June 13, 2024	-	12,821	-
December 13, 2024	-	12,820	-
June 13, 2025	-	12,821	-
December 13, 2025	-	12,820	-
June 13, 2026	-	12,821	-
December 13, 2026	-	12,820	-
June 13, 2027	-	12,821	-
December 13, 2027	-	12,820	-
June 13, 2028	-	12,821	-
December 13, 2028	-	12,820	-
June 13, 2029	-	12,821	-
December 13, 2029	-	12,820	-
June 13, 2030	-	12,821	-
December 13, 2030	-	12,820	-

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2004  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
June 13, 2031	-	\$ 12,821	\$ -
December 13, 2031	-	12,820	-
June 13, 2032	-	12,821	-
December 13, 2032	-	12,820	-
June 13, 2033	-	12,821	-
December 13, 2033	-	12,820	-
June 13, 2034	-	12,821	-
December 13, 2034	-	12,820	-
June 13, 2035	-	12,821	-
December 13, 2035	-	12,820	-
June 13, 2036	-	12,821	-
December 13, 2036	-	12,820	-
June 13, 2037	-	12,821	-
December 13, 2037	-	12,820	-
June 13, 2038	-	12,821	-
December 13, 2038	-	12,820	-
June 13, 2039	-	12,821	-
December 13, 2039	-	12,820	-
June 13, 2040	-	12,821	-
December 13, 2040	-	12,820	-
June 13, 2041	-	12,821	-
December 13, 2041	-	12,820	-
June 13, 2042	-	12,821	-
		<u>\$ 974,359</u>	<u>\$ -</u>

(continued)

## BONDED DEBT GENERAL OBLIGATION - 2004

(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
JUNE 30, 2004

Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 22, 2004	4.375 %	\$ 16,119	\$ 75,586
December 22, 2004	4.375	16,296	75,409
March 22, 2005	4.375	16,474	75,231
June 22, 2005	4.375	16,654	75,051
September 22, 2005	4.375	16,836	74,869
December 22, 2005	4.375	17,020	74,685
March 22, 2006	4.375	17,206	74,499
June 22, 2006	4.375	17,395	74,310
September 22, 2006	4.375	17,585	74,120
December 22, 2006	4.375	17,777	73,928
March 22, 2007	4.375	17,972	73,733
June 22, 2007	4.375	18,168	73,537
September 22, 2007	4.375	18,367	73,338
December 22, 2007	4.375	18,568	73,137
March 22, 2008	4.375	18,771	72,934
June 22, 2008	4.375	18,976	72,729
September 22, 2008	4.375	19,184	72,521
December 22, 2008	4.375	19,394	72,311
March 22, 2009	4.375	19,606	72,099
June 22, 2009	4.375	19,820	71,885
September 22, 2009	4.375	20,037	71,668
December 22, 2009	4.375	20,256	71,449
March 22, 2010	4.375	20,478	71,227
June 22, 2010	4.375	20,702	71,003
September 22, 2010	4.375	20,928	70,777
December 22, 2010	4.375	21,157	70,548
March 22, 2011	4.375	21,388	70,317
June 22, 2011	4.375	21,622	70,083
September 22, 2011	4.375	21,859	69,846
December 22, 2011	4.375	22,098	69,607
March 22, 2012	4.375	22,339	69,366
June 22, 2012	4.375	22,584	69,121
September 22, 2012	4.375	22,831	68,874
December 22, 2012	4.375	23,081	68,624
March 22, 2013	4.375	23,333	68,372
June 22, 2013	4.375	23,588	68,117
September 22, 2013	4.375	23,846	67,859
December 22, 2013	4.375	24,107	67,598
March 22, 2014	4.375	24,371	67,334
June 22, 2014	4.375	24,637	67,068
September 22, 2014	4.375	24,907	66,798
December 22, 2014	4.375	25,179	66,526
March 22, 2015	4.375	25,455	66,250
June 22, 2015	4.375	25,733	65,972
September 22, 2015	4.375	26,014	65,691
December 22, 2015	4.375	26,299	65,406
March 22, 2016	4.375	26,587	65,118
June 22, 2016	4.375	26,877	64,828
September 22, 2016	4.375	27,171	64,534
December 22, 2016	4.375	27,469	64,237
March 22, 2017	4.375	27,769	63,936
June 22, 2017	4.375	28,073	63,632
September 22, 2017	4.375	28,380	63,325

(continued)



SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2004  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
December 22, 2017	4.375 %	\$ 28,690	\$ 63,015
March 22, 2018	4.375	29,004	62,701
June 22, 2018	4.375	29,321	62,384
September 22, 2018	4.375	29,642	62,063
December 22, 2018	4.375	29,966	61,739
March 22, 2019	4.375	30,294	61,411
June 22, 2019	4.375	30,625	61,080
September 22, 2019	4.375	30,960	60,745
December 22, 2019	4.375	31,299	60,406
March 22, 2020	4.375	31,641	60,064
June 22, 2020	4.375	31,987	59,718
September 22, 2020	4.375	32,337	59,368
December 22, 2020	4.375	32,691	59,014
March 22, 2021	4.375	33,048	58,657
June 22, 2021	4.375	33,410	58,295
September 22, 2021	4.375	33,775	57,930
December 22, 2021	4.375	34,145	57,560
March 22, 2022	4.375	34,518	57,187
June 22, 2022	4.375	34,896	56,809
September 22, 2022	4.375	35,277	56,428
December 22, 2022	4.375	35,663	56,042
March 22, 2023	4.375	36,053	55,652
June 22, 2023	4.375	36,447	55,258
September 22, 2023	4.375	36,846	54,859
December 22, 2023	4.375	37,249	54,456
March 22, 2024	4.375	37,657	54,049
June 22, 2024	4.375	38,068	53,637
September 22, 2024	4.375	38,485	53,220
December 22, 2024	4.375	38,906	52,799
March 22, 2025	4.375	39,331	52,374
June 22, 2025	4.375	39,761	51,944
September 22, 2025	4.375	40,196	51,509
December 22, 2025	4.375	40,636	51,069
March 22, 2026	4.375	41,080	50,625
June 22, 2026	4.375	41,530	50,175
September 22, 2026	4.375	41,984	49,721
December 22, 2026	4.375	42,443	49,262
March 22, 2027	4.375	42,907	48,798
June 22, 2027	4.375	43,377	48,328
September 22, 2027	4.375	43,851	47,854
December 22, 2027	4.375	44,331	47,374
March 22, 2028	4.375	44,816	46,889
June 22, 2028	4.375	45,306	46,399
September 22, 2028	4.375	45,801	45,904
December 22, 2028	4.375	46,302	45,403
March 22, 2029	4.375	46,809	44,896
June 22, 2029	4.375	47,321	44,384
September 22, 2029	4.375	47,838	43,867
December 22, 2029	4.375	48,361	43,344
March 22, 2030	4.375	48,890	42,815
June 22, 2030	4.375	49,425	42,280
September 22, 2030	4.375	49,966	41,739
December 22, 2030	4.375	50,512	41,193

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2004  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
March 22, 2031	4.375 %	\$ 51,065	\$ 40,640
June 22, 2031	4.375	51,623	40,082
September 22, 2031	4.375	52,188	39,517
December 22, 2031	4.375	52,759	38,946
March 22, 2032	4.375	53,336	38,369
June 22, 2032	4.375	53,919	37,786
September 22, 2032	4.375	54,509	37,196
December 22, 2032	4.375	55,105	36,600
March 22, 2033	4.375	55,708	35,997
June 22, 2033	4.375	56,317	35,388
September 22, 2033	4.375	56,933	34,772
December 22, 2033	4.375	57,556	34,149
March 22, 2034	4.375	58,185	33,520
June 22, 2034	4.375	58,822	32,883
September 22, 2034	4.375	59,465	32,240
December 22, 2034	4.375	60,115	31,590
March 22, 2035	4.375	60,773	30,932
June 22, 2035	4.375	61,438	30,268
September 22, 2035	4.375	62,110	29,596
December 22, 2035	4.375	62,789	28,916
March 22, 2036	4.375	63,476	28,229
June 22, 2036	4.375	64,170	27,535
September 22, 2036	4.375	64,872	26,833
December 22, 2036	4.375	65,581	26,124
March 22, 2037	4.375	66,299	25,406
June 22, 2037	4.375	67,024	24,681
September 22, 2037	4.375	67,757	23,948
December 22, 2037	4.375	68,498	23,207
March 22, 2038	4.375	69,247	22,458
June 22, 2038	4.375	70,004	21,701
September 22, 2038	4.375	70,770	20,935
December 22, 2038	4.375	71,544	20,161
March 22, 2039	4.375	72,327	19,378
June 22, 2039	4.375	73,118	18,588
September 22, 2039	4.375	73,917	17,788
December 22, 2039	4.375	74,726	16,979
March 22, 2040	4.375	75,543	16,162
June 22, 2040	4.375	76,369	15,336
September 22, 2040	4.375	77,205	14,500
December 22, 2040	4.375	78,049	13,656
March 22, 2041	4.375	78,903	12,802
June 22, 2041	4.375	79,766	11,939
September 22, 2041	4.375	80,638	11,067
December 22, 2041	4.375	81,520	10,185
March 22, 2042	4.375	82,412	9,293
June 22, 2042	4.375	83,313	8,392
September 22, 2042	4.375	84,225	7,480
December 22, 2042	4.375	85,146	6,559
March 22, 2043	4.375	86,077	5,628
June 22, 2043	4.375	87,018	4,687
September 22, 2043	4.375	87,970	3,735

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2004  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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<u>Date of Maturity</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest Payable</u>
December 22, 2043	4.375 %	\$ 88,932	\$ 2,773
March 22, 2044	4.375	89,905	1,800
June 22, 2044	4.375	74,647	819
		<u>\$ 6,910,700</u>	<u>\$ 7,745,866</u>

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2004  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 19, 2004	4.25 %	\$ 4,878	\$ 20,726
December 19, 2004	4.25	4,930	20,674
March 19, 2005	4.25	4,982	20,622
June 19, 2005	4.25	5,035	20,569
September 19, 2005	4.25	5,089	20,515
December 19, 2005	4.25	5,143	20,461
March 19, 2006	4.25	5,197	20,407
June 19, 2006	4.25	5,253	20,351
September 19, 2006	4.25	5,309	20,295
December 19, 2006	4.25	5,365	20,239
March 19, 2007	4.25	5,422	20,182
June 19, 2007	4.25	5,480	20,124
September 19, 2007	4.25	5,538	20,066
December 19, 2007	4.25	5,597	20,007
March 19, 2008	4.25	5,656	19,948
June 19, 2008	4.25	5,716	19,888
September 19, 2008	4.25	5,777	19,827
December 19, 2008	4.25	5,838	19,766
March 19, 2009	4.25	5,900	19,704
June 19, 2009	4.25	5,963	19,641
September 19, 2009	4.25	6,026	19,578
December 19, 2009	4.25	6,090	19,514
March 19, 2010	4.25	6,155	19,449
June 19, 2010	4.25	6,220	19,384
September 19, 2010	4.25	6,287	19,317
December 19, 2010	4.25	6,353	19,251
March 19, 2011	4.25	6,421	19,183
June 19, 2011	4.25	6,489	19,115
September 19, 2011	4.25	6,558	19,046
December 19, 2011	4.25	6,628	18,976
March 19, 2012	4.25	6,698	18,906
June 19, 2012	4.25	6,769	18,835
September 19, 2012	4.25	6,841	18,763
December 19, 2012	4.25	6,914	18,690
March 19, 2013	4.25	6,987	18,617
June 19, 2013	4.25	7,062	18,542
September 19, 2013	4.25	7,137	18,467
December 19, 2013	4.25	7,212	18,392
March 19, 2014	4.25	7,289	18,315
June 19, 2014	4.25	7,367	18,237
September 19, 2014	4.25	7,445	18,159
December 19, 2014	4.25	7,524	18,080
March 19, 2015	4.25	7,604	18,000
June 19, 2015	4.25	7,685	17,919
September 19, 2015	4.25	7,766	17,838
December 19, 2015	4.25	7,849	17,755
March 19, 2016	4.25	7,932	17,672
June 19, 2016	4.25	8,016	17,588
September 19, 2016	4.25	8,102	17,502
December 19, 2016	4.25	8,188	17,416
March 19, 2017	4.25	8,275	17,329
June 19, 2017	4.25	8,363	17,241
September 19, 2017	4.25	8,452	17,152

(continued)

SUSSEX COUNTY, DELAWARE  
 BONDED DEBT GENERAL OBLIGATION - 2004  
 (PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
 JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
December 19, 2017	4.25 %	\$ 8,541	\$ 17,063
March 19, 2018	4.25	8,632	16,972
June 19, 2018	4.25	8,724	16,880
September 19, 2018	4.25	8,816	16,788
December 19, 2018	4.25	8,910	16,694
March 19, 2019	4.25	9,005	16,599
June 19, 2019	4.25	9,100	16,504
September 19, 2019	4.25	9,197	16,407
December 19, 2019	4.25	9,295	16,309
March 19, 2020	4.25	9,394	16,210
June 19, 2020	4.25	9,493	16,111
September 19, 2020	4.25	9,594	16,010
December 19, 2020	4.25	9,696	15,908
March 19, 2021	4.25	9,799	15,805
June 19, 2021	4.25	9,903	15,701
September 19, 2021	4.25	10,009	15,595
December 19, 2021	4.25	10,115	15,489
March 19, 2022	4.25	10,222	15,382
June 19, 2022	4.25	10,331	15,273
September 19, 2022	4.25	10,441	15,163
December 19, 2022	4.25	10,552	15,052
March 19, 2023	4.25	10,664	14,940
June 19, 2023	4.25	10,777	14,827
September 19, 2023	4.25	10,892	14,712
December 19, 2023	4.25	11,007	14,597
March 19, 2024	4.25	11,124	14,480
June 19, 2024	4.25	11,243	14,361
September 19, 2024	4.25	11,362	14,242
December 19, 2024	4.25	11,483	14,121
March 19, 2025	4.25	11,605	13,999
June 19, 2025	4.25	11,728	13,876
September 19, 2025	4.25	11,853	13,751
December 19, 2025	4.25	11,979	13,625
March 19, 2026	4.25	12,106	13,498
June 19, 2026	4.25	12,234	13,370
September 19, 2026	4.25	12,364	13,240
December 19, 2026	4.25	12,496	13,108
March 19, 2027	4.25	12,629	12,975
June 19, 2027	4.25	12,763	12,841
September 19, 2027	4.25	12,898	12,706
December 19, 2027	4.25	13,035	12,569
March 19, 2028	4.25	13,174	12,430
June 19, 2028	4.25	13,314	12,290
September 19, 2028	4.25	13,455	12,149
December 19, 2028	4.25	13,598	12,006
March 19, 2029	4.25	13,743	11,861
June 19, 2029	4.25	13,889	11,715
September 19, 2029	4.25	14,036	11,568
December 19, 2029	4.25	14,186	11,418
March 19, 2030	4.25	14,336	11,268
June 19, 2030	4.25	14,489	11,115
September 19, 2030	4.25	14,643	10,961
December 19, 2030	4.25	14,798	10,806

(continued)

SUSSEX COUNTY, DELAWARE  
BONDED DEBT GENERAL OBLIGATION - 2004  
(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
March 19, 2031	4.25 %	\$ 14,955	\$ 10,649
June 19, 2031	4.25	15,114	10,490
September 19, 2031	4.25	15,275	10,329
December 19, 2031	4.25	15,437	10,167
March 19, 2032	4.25	15,601	10,003
June 19, 2032	4.25	15,767	9,837
September 19, 2032	4.25	15,934	9,670
December 19, 2032	4.25	16,104	9,500
March 19, 2033	4.25	16,275	9,329
June 19, 2033	4.25	16,448	9,156
September 19, 2033	4.25	16,623	8,981
December 19, 2033	4.25	16,799	8,805
March 19, 2034	4.25	16,978	8,626
June 19, 2034	4.25	17,158	8,446
September 19, 2034	4.25	17,340	8,264
December 19, 2034	4.25	17,525	8,079
March 19, 2035	4.25	17,711	7,893
June 19, 2035	4.25	17,899	7,705
September 19, 2035	4.25	18,089	7,515
December 19, 2035	4.25	18,281	7,323
March 19, 2036	4.25	18,476	7,128
June 19, 2036	4.25	18,672	6,932
September 19, 2036	4.25	18,870	6,734
December 19, 2036	4.25	19,071	6,533
March 19, 2037	4.25	19,273	6,331
June 19, 2037	4.25	19,478	6,126
September 19, 2037	4.25	19,685	5,919
December 19, 2037	4.25	19,894	5,710
March 19, 2038	4.25	20,106	5,498
June 19, 2038	4.25	20,319	5,285
September 19, 2038	4.25	20,535	5,069
December 19, 2038	4.25	20,753	4,851
March 19, 2039	4.25	20,974	4,630
June 19, 2039	4.25	21,197	4,407
September 19, 2039	4.25	21,422	4,182
December 19, 2039	4.25	21,649	3,955
March 19, 2040	4.25	21,880	3,724
June 19, 2040	4.25	22,112	3,492
September 19, 2040	4.25	22,347	3,257
December 19, 2040	4.25	22,584	3,020
March 19, 2041	4.25	22,824	2,780
June 19, 2041	4.25	23,067	2,537
September 19, 2041	4.25	23,312	2,292
December 19, 2041	4.25	23,560	2,044
March 19, 2042	4.25	23,810	1,794
June 19, 2042	4.25	24,063	1,541
September 19, 2042	4.25	24,319	1,285
December 19, 2042	4.25	24,577	1,027
March 19, 2043	4.25	24,838	766
June 19, 2043	4.25	25,102	502
September 19, 2043	4.25	22,146	234
		<u>\$ 1,950,672</u>	<u>\$ 2,065,932</u>

(continued)

SUSSEX COUNTY, DELAWARE  
BONDED DEBT GENERAL OBLIGATION - 2004  
(PRINCIPAL AND INTEREST PAYMENTS ONLY) - CONTINUED  
JUNE 30, 2004

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Date of Maturity	Coupon	Principal Maturity	Interest Payable
September 26, 2004	1.50 %	\$ -	\$ 59,583
March 26, 2005	1.50	-	75,417
September 26, 2005	1.50	-	76,667
March 26, 2006	1.50	-	75,417
September 26, 2006	1.50	-	76,667
March 26, 2007	1.50	-	75,417
September 26, 2007	1.50	-	76,667
December 31, 2007	1.50	-	39,583
June 30, 2008	1.50	215,302	75,000
December 31, 2008	1.50	216,916	73,385
June 30, 2009	1.50	218,543	71,758
December 31, 2009	1.50	220,182	70,119
June 30, 2010	1.50	221,834	68,468
December 31, 2010	1.50	223,497	66,804
June 30, 2011	1.50	225,174	65,128
December 31, 2011	1.50	226,862	63,439
June 30, 2012	1.50	228,564	61,738
December 31, 2012	1.50	230,278	60,023
June 30, 2013	1.50	232,005	58,296
December 31, 2013	1.50	233,745	56,556
June 30, 2014	1.50	235,498	54,803
December 31, 2014	1.50	237,265	53,037
June 30, 2015	1.50	239,044	51,258
December 31, 2015	1.50	240,837	49,465
June 30, 2016	1.50	242,643	47,658
December 31, 2016	1.50	244,463	45,839
June 30, 2017	1.50	246,296	44,005
December 31, 2017	1.50	248,144	42,158
June 30, 2018	1.50	250,005	40,297
December 31, 2018	1.50	251,880	38,422
June 30, 2019	1.50	253,769	36,533
December 31, 2019	1.50	255,672	34,629
June 30, 2020	1.50	257,590	32,712
December 31, 2020	1.50	259,522	30,780
June 30, 2021	1.50	261,468	28,834
December 31, 2021	1.50	263,429	26,873
June 30, 2022	1.50	265,405	24,897
December 31, 2022	1.50	267,395	22,906
June 30, 2023	1.50	269,401	20,901
December 31, 2023	1.50	271,422	18,880
June 30, 2024	1.50	273,457	16,845
December 31, 2024	1.50	275,508	14,794
June 30, 2025	1.50	277,574	12,727
December 31, 2025	1.50	279,656	10,646
June 30, 2026	1.50	281,753	8,548
December 31, 2026	1.50	283,867	6,435
June 30, 2027	1.50	285,996	4,306
December 31, 2027	1.50	288,139	2,156
		<u>\$ 10,000,000</u>	<u>\$ 2,167,476</u>

**SUSSEX COUNTY, DELAWARE**  
**SCHEDULE OF ASSESSED VALUATION OF REAL ESTATE**  
**FOR THE FIFTEEN YEARS THROUGH JUNE 30, 2004**

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<b>Assessment Date</b>	<b>Assessed Valuation</b>	<b>Rate Per \$ 100 *</b>	<b>Property Tax Levy</b>
May 1, 1990	\$ 1,281,490,880	0.3484	\$ 4,464,714
May 1, 1991	1,341,864,218	0.3484	4,675,055
May 1, 1992	1,395,229,750	0.3697	5,158,164
May 1, 1993	1,438,309,091	0.3697	5,317,429
May 1, 1994	1,487,150,602	0.3697	5,497,996
May 1, 1995	1,535,992,333	0.3697	5,678,564
May 1, 1996	1,584,604,387	0.3697	5,858,282
May 1, 1997	1,644,541,934	0.3697	6,079,872
May 1, 1998	1,692,448,764	0.3697	6,256,983
May 1, 1999	1,759,988,579	0.3697	6,506,678
May 1, 2000	1,833,503,269	0.3697	6,778,462
May 1, 2001	1,913,170,693	0.3697	7,072,992
May 1, 2002	1,994,171,500	0.4017	8,010,587
May 1, 2003	2,095,423,227	0.4017	8,417,315
May 1, 2004	2,210,228,837	0.4017	8,878,489

\* The tax rates shown are the County rates for operating purposes. These rates do not include the rates for funding bonds or the County library system.



SUSSEX COUNTY, DELAWARE  
SCHEDULE OF INSURANCE  
JUNE 30, 2004

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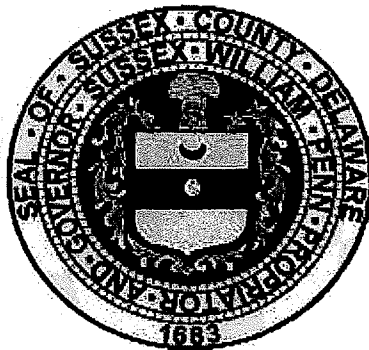
Agent	Company	Policy Number	Term	Coverage - Amount	Cost	Expense	Prepaid
Gordy Insurance Agency	Western Surety Company	B69174030	01/07/03 - 01/07/04 01/07/04 - 01/07/05	Bond - David Baker - \$ 50,000	\$ 225 450	\$ 225 225	\$ - 225
The Insurance Market, Inc.	Selective Insurance Co. of America	B830584	01/05/03 - 01/05/07	Bond - Robert Reed - \$ 12,000	466	133	333
The Insurance Market, Inc.	Selective Insurance Co. of America	B89100	01/04/03 - 01/04/07 03/23/04 - 01/04/07	Bond - Ray Ellerman - \$ 5,000 Bond - Thelma Monroe - \$ 5,000	394 33	89 33	305 -
The Insurance Market, Inc.	Selective Insurance Co. of America	196206	01/05/03 - 01/05/07	Bond - John Brady - \$ 5,000	427	122	305
The Insurance Market, Inc.	Selective Insurance Co. of America	B830508	01/05/03 - 01/05/07	Bond - H. Clendaniel - \$ 5,000	427	122	305
Commerce National Ins.	Selective Insurance Co. of America	49211	04/18/03 - 04/18/04 04/18/04 - 04/18/05	National Flood Insurance Program for South Coastal Library \$500,000 Building; \$500,000 Contents	2,500 3,326	2,500 665	- 2,661
Commerce National Ins.	Selective Insurance Co. of America	49211	04/18/03 - 04/18/04 04/18/04 - 04/18/05	National Flood Insurance Program for Milton Library \$ 500,000 Building, \$ 500,000 Contents	22,666 28,787	22,666 5,757	- 23,030
L & W Insurance Company	Old Republic Insurance, Co.	PR139305	07/01/03 - 07/01/04	Airport and Hangarkeeper's Liability Extended Coverage \$20,000,000	23,668	23,668	-
Marsh USA, Inc.	AIG	2993927	07/01/03 - 07/01/04	Public Officials Liability Liability - \$ 5,000,000	66,164	66,164	-
Pratt Insurance Co., Inc.	Liberty Mutual Insurance Co.	WC533S308019013	07/01/03 - 07/01/04 07/01/04 - 07/01/05	Worker's Compensation \$100/100/500 (millions)	288,043 72,292	288,043 -	- 72,292
Pratt Insurance Co., Inc.	CNA Insurance Company	BM1072359831	07/01/03 - 07/01/04 07/01/04 - 07/01/05	Boiler & Machinery	13,731 14,818	13,731 -	- 14,818
Pratt Insurance Co., Inc.	CNA Insurance Company	C2025672805	07/01/03 - 07/01/04 07/01/04 - 07/01/05	Automobile Liability - \$1,000,000	238,528 60,934	238,528 -	- 60,934
Pratt Insurance Co., Inc.	Scottsdale Insurance Company	PKS0000117	07/01/03 - 07/01/04 07/01/04 - 07/01/05	Emergency Dispatcher's Liability \$1,000,000	7,036 6,961	7,036 -	- 6,961

(continued)

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF INSURANCE - CONTINUED  
JUNE 30, 2004

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Agent	Company	Policy Number	Term	Coverage - Amount	Cost	Expense	Prepaid
Pratt Insurance Co., Inc.	Scottsdale Insurance Company	PKS0000118	07/01/03 - 07/01/04 07/01/04 - 07/01/05	Law Enforcement Liability \$1,000,000	\$ 17,065 17,871	\$ 17,065 -	\$ - 17,871
Pratt Insurance Co., Inc.	AIG	UMS00008590	07/01/03 - 07/01/04	Umbrella Liability \$5,000,000	56,003	56,003	-
Pratt Insurance Co., Inc.	Scottsdale Insurance Company	UMS0014015	07/01/04 - 07/01/05	Umbrella Liability \$5,000,000	67,236	-	67,236
Pratt Insurance Co., Inc.	National Casualty Company	WLO00000022	07/01/03 - 07/01/04 07/01/04 - 07/01/05	General Liability \$1,000,000	42,323 48,174	42,323 -	- 48,174
Marsh USA, Inc.	Great American Insurance Company	GVT217138801	07/01/03 - 07/01/04	Crime Coverage	4,345	4,345	-
Pratt Insurance Co., Inc.	CNA Insurance Company	C2055506172	07/01/03 - 07/01/04 07/01/04 - 07/01/05	Commercial Package	209,275 56,020	209,275 -	- 56,020
<b>TOTALS</b>					<u>\$ 1,370,188</u>	<u>\$ 998,718</u>	<u>\$ 371,470</u>

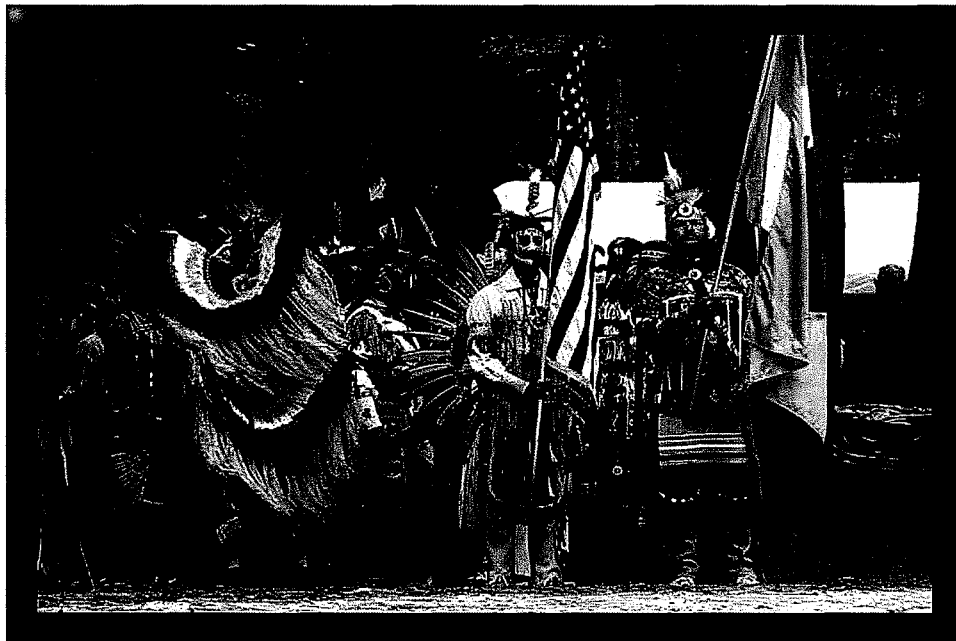




Indian River Inlet and Atlantic Ocean – north of Bethany Beach



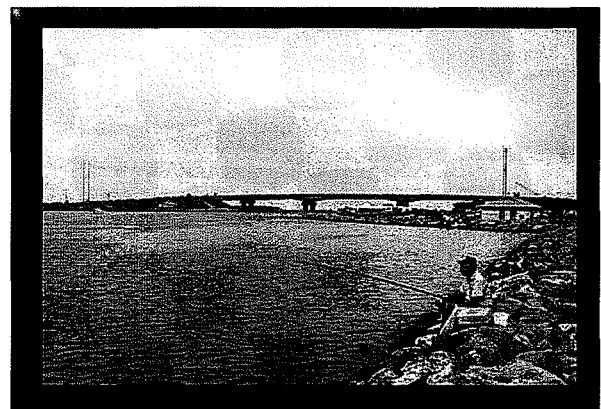
Lewes Beach and the Cape May – Lewes Ferry



The Nanticoke Indian Association annual Pow-Wow near Oak Orchard



Recreational boats along Lewes-Rehoboth Canal



Fisherman on the Indian River Bay

## **SINGLE AUDIT SUPPLEMENT**

SUSSEX COUNTY, DELAWARE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

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<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Direct Programs:			
Rural Housing Preservation Grants	10.433	HPG 02 HPG 03	\$ 42,012
Water and Waste Disposal Systems for Rural Communities	10.760		15,001,466
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>15,043,478</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
Passed through State - Department of Natural Resources and Environmental Control:			
Coastal Zone Management Administration Awards	11.419	NA170Z2329	<u>15,000</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through State - Delaware State Housing Authority:			
Community Development Block Grants/State's Program	14.228	DRI 03-98 CDBG 03-01 CDBG 03-02 CDBG 03-03	<u>1,633,838</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Passed through State - Delaware State Historic Preservation Office:			
Historic Preservation Fund Grants-In-Aid	15.904	10-03-18207 10-02-17537	<u>14,810</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through State - Delaware Emergency Management Agency:			
State Domestic Preparedness Equipment Support Program	16.007	2002-TE-CX-0126	<u>5,528</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Direct Program:			
Airport Improvement Program	20.106	3-10-0007-11 3-10-0007-12 3-10-0007-13 3-10-0007-14 3-10-0007-15 3-10-0007-16 3-10-0007-17 3-10-0007-18	480,179
Passed through State - Delaware Department of Transportation:			
Highway Planning and Construction	20.205	96-112-01	3,708
Passed through State - Delaware Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEDE2030110	<u>1,196</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>485,083</u>

\*Denotes major program.

(continued)

**SUSSEX COUNTY, DELAWARE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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<b>Federal Grantor/Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through State - Department of Natural Resources and Environmental Control:			
Capitalization Grants for Clean Water State Revolving Funds*	66.458	S-2006 S-2012 S-2015 S-2016 S-2022 S-2023 S-2028	<u>\$ 12,681,804</u>
<b>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Passed through State - Delaware Emergency Management Agency:			
Flood Mitigation Assistance	83.536	EMP-2001-GR-3322 EMP-2002-GR-3433	71,116
Emergency Management Performance Grants	83.552	EMP-2003-GR-3501	27,405
State and Local All Hazards Emergency Operations Planning	83.562	EMP-2003-GR-3509	<u>20,717</u>
<b>TOTAL U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			<u>119,238</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through State - Delaware Emergency Management Agency:			
Public Assistance Grants	97.036	FEMA-1494-DR-DE	28,682
Emergency Management Performance Grants	97.042	EMP-2004-GR-3601	<u>52,582</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>81,264</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 30,080,043</u></u>

\*Denotes major program.

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Sussex County, Delaware (the County). The County's reporting entity is defined in Note A of the notes to basic financial statements. Federal awards that are passed through other governmental agencies are included on the schedule.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual and the modified accrual bases of accounting, which are described in Note A of the notes to basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - LOANS**

The County had the following federal expenditures funded by loans from the U.S. Department of Agriculture and the U.S. Environmental Protection Agency during the year ended June 30, 2004.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Loan Amount</u>
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 14,724,417
Capitalization Grants for Clean Water State Revolving Funds	66.458	12,681,804



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Council  
Sussex County, Delaware  
Georgetown, Delaware

Compliance

We have audited the compliance of Sussex County, Delaware with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Sussex County, Delaware's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sussex County, Delaware's management. Our responsibility is to express an opinion on Sussex County, Delaware's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sussex County, Delaware's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sussex County, Delaware's compliance with those requirements.

In our opinion, Sussex County, Delaware complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Sussex County, Delaware is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sussex County, Delaware's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Internal Control Over Compliance - Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the County Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
November 29, 2004

A PROFESSIONAL CORPORATION • CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Council  
Sussex County, Delaware  
Georgetown, Delaware

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sussex County, Delaware as of and for the year ended June 30, 2004, which collectively comprise Sussex County, Delaware's basic financial statements and have issued our report thereon dated November 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sussex County, Delaware's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Sussex County, Delaware in a separate letter dated November 29, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sussex County, Delaware's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Sussex County in a separate letter dated November 29, 2004.

This report is intended solely for the information and use of management, the County Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware  
November 29, 2004

**PART A. - SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Sussex County, Delaware.
2. No reportable conditions relating to the audit of the basic financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Sussex County, Delaware, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions relating to the audit of internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Sussex County, Delaware expresses an unqualified opinion on all major federal programs.
6. No audit findings are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal awards program for Sussex County, Delaware.
7. The programs tested as major programs include:

<u>PROGRAM NAME</u>	<u>CFDA #</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458

8. Type A programs are identified as any program over \$ 300,000. All other programs are considered to be Type B programs.
9. Sussex County, Delaware qualified as a low-risk auditee.

**PART B. - FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

None - Current and Prior

**PART C. - FINDINGS RELATED TO THE FEDERAL AWARDS**

None - Current and Prior

## APPENDIX B

### MAP OF WEST REHOBOTH SYSTEM AREA



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**APPENDIX C**

**SUMMARY OF TRUST AGREEMENT**

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## APPENDIX C

### SUMMARY OF TRUST AGREEMENT

Following is a summary of certain provisions of the Trust Agreement and definitions of certain terms used therein and in this Official Statement.

#### **Definitions of Certain Terms**

“Accountants” shall mean the independent firm of certified public accountants at the time employed by the County under the provisions of the Trust Agreement to perform and carry out the duties imposed on the Accountants by the Trust Agreement.

“Accreted Amount” shall mean with respect to Capital Appreciation Bonds of any Series, the amount set forth in a Supplemental Agreement as the amount representing the initial public offering price, plus the accumulated and compounded interest on such bonds as of any point of time.

“Agreement” or “Trust Agreement” shall mean the Trust Agreement, dated as of the 1st day of April, 1994, together with all Supplemental Agreements thereto as therein permitted.

“Amortization Requirement” for any fiscal year shall mean the principal amount fixed or computed for such fiscal year as set forth in the Trust Agreement for the retirement of such term bonds by purchase or redemption.

The Amortization Requirements for the term bonds of each Series and maturity shall be initially the respective principal amounts (each of which shall be in a multiple of \$5,000 unless otherwise provided in a Supplemental Agreement) for each Principal Payment Date as fixed in the Supplemental Agreement relating to the issuance of the bonds of such Series. The Amortization Requirements for the term bonds of each Series and maturity shall begin on the Principal Payment Date determined by the County and shall end not later than the Principal Payment Date immediately preceding the maturity of such term bonds.

If at the close of any Principal Payment Date the total principal amount of the term bonds of any Series and maturity retired by purchase or redemption, or purchased under the provisions of the Trust Agreement on or prior to such Principal Payment Date, shall be in excess of the total amount of the Amortization Requirements for the term bonds of such Series and maturity to and including such Principal Payment Date, then the total amount of the Amortization Requirements for the term bonds of such Series and maturity for all subsequent Principal Payment Dates shall, to the extent provided in the Trust Agreement, be reduced by the amount of such excess in such order and in such manner as the County shall determine.

“Amortized Cost” shall mean when used with respect to an obligation purchased at a premium above or discount below par, as of any subsequent date of valuation, the amount calculated by dividing the total premium or discount by the number of days remaining to maturity on any such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of purchase and (i) in the case of an obligation

purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price.

“Annual Assessments” shall mean the annual assessment imposed against properties served by the Authorized Facilities which said assessments are designed to pay the allocable capital costs (or debt service thereon) of the Authorized Facilities.

“Annual Budget” shall mean the County's budget of expected Gross Revenues and Current Expenses for a fiscal year adopted pursuant to the provisions of the Trust Agreement.

“Authorized Facilities” shall mean all collection, transmission and treatment facilities of the West Rehoboth Expansion of the Dewey Beach Sanitary Sewer District plus the facilities of any other sewer system identified in a Supplemental Agreement.

“Bonds” or “bonds” shall mean the bonds issued under the Trust Agreement.

“Bond Insurance Policy” shall mean a municipal bond new issue insurance policy issued by an Insurer and guaranteeing the payment of principal of and interest on a Series of bonds or certain maturities thereof as may be provided in a Supplemental Agreement.

“Bond Registrar” shall mean the bond registrar for the bonds designated as such and performing the duties set forth in the Trust Agreement.

“Business Day” shall mean any day other than a Saturday or Sunday, on which commercial banks (including the Trustee, any Depository, the Bond Registrar, any Paying Agent and any Credit Bank or Insurer) are open for business in the State of Delaware and on which the New York Stock Exchange is open.

“Capital Appreciation Bonds” shall mean any bonds of any Series the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Agreement and is payable on the date, if any, on which such bonds become Current Interest Bonds or upon redemption or on the maturity date of such bonds.

“Capitalization Fees” shall mean the sewer capitalization fees assessed by the County against properties located within an area served by Authorized Facilities as a contribution toward System costs pursuant to Ordinance No. 685 adopted by County Council, as amended, or any other applicable Ordinance or Resolution of County Council.

“Connection Fees” shall mean the charges assessed by the County against properties served by Authorized Facilities, at the time said properties are connected to the Authorized Facilities, and which said fees are designed to cover the capital costs allocable to the number of Equivalent Dwelling Units of such properties in excess of those reflected in the Capitalization Fees previously assessed against such properties.

“Construction Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Consulting Engineers” shall mean an engineer or engineers or engineering firm or firms or corporation or corporations independent of the County and with expertise in preparing reports required to be delivered by a Consulting Engineer under the Trust Agreement.

“Cost” as applied to any Authorized Facilities, shall embrace, without intending thereby to limit or restrict any proper definition of such word under the provisions of the Enabling Legislation, the cost of construction and acquisition and all obligations, expenses and other items of cost which are set forth in the Trust Agreement.

“County Representative” shall mean the County Administrator, the Finance Director and any other person designated to act as such under the Trust Agreement by resolution or ordinance adopted by County Council.

“Credit Bank” shall mean, as to any particular Series of bonds, the person (other than an Insurer) providing a Credit Facility, as designated in the Supplemental Agreement providing for the issuance of such Series of bonds, provided that the obligations of such person providing such Credit Facility are rated in one of the three highest rating categories by the Rating Services.

“Credit Facility” shall mean as to any particular Series of bonds or certain maturities thereof, a letter of credit, a line of credit, a guaranty, standby bond purchase agreement or other credit-or liquidity-enhancement facility (other than a Bond Insurance Policy), as described in the Supplemental Agreement providing for the issuance of such Series of bonds.

“Crossover Date” shall mean, with respect to Crossover Refunding Bonds, the date specified in or determined in accordance with the provisions of the Supplemental Agreement for such bonds on which bonds to be refunded in whole or in part with proceeds of such Crossover Refunding Bonds are to be paid at maturity or redeemed (or provision made for such payment or redemption).

“Crossover Refunding Bonds” shall mean bonds, as determined in the Supplemental Agreement pursuant to which such bonds are issued, the proceeds of which will be used on the Crossover Date to pay at maturity or redeem or to provide for such payment or redemption of any bonds to be so paid or refunded.

“Current Expenses” shall mean the County's reasonable and necessary current expenses of maintenance, repair and operation of the Authorized Facilities, and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of maintenance, repair and operation, which may include expenses not annually recurring, premiums and reserves for insurance, fees or premiums for a Credit Facility (but not including any amounts payable as interest, whether or not characterized as a fee or premium, on draws, advances or loans), all administrative and engineering expenses relating to maintenance, repair and operation, fees and expenses of the Trustee, the Paying Agents, any Depositary, indexing agents, remarketing agents and financial consultants, legal expenses, advertising expenses, any taxes or assessments lawfully levied on the Authorized Facilities, any payments to pension or retirement funds, and any other expenses required or permitted to be paid by the County under the provisions of the Trust Agreement or by law in connection with the ordinary and usual maintenance, repair and operation of the Authorized Facilities, and any expenses incurred by the County for the foregoing purposes. "Current Expenses" shall also include such expenditures as the County determines from time to time

shall be appropriate for minor capital repairs or replacements, but shall not include any payments made by the County in respect of any deposits or transfers to the credit of the Debt Service Fund, the Debt Service Reserve Fund or the Depreciation Reserve Fund.

“Current Interest Bonds” shall mean bonds the interest on which is payable on the Interest Payment Dates provided therefor in a Supplemental Agreement which Agreement may also provide that bonds initially issued as Capital Appreciation Bonds may become Current Interest Bonds on the date specified therein.

“Debt Service Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Debt Service Reserve Fund Requirement” shall mean an amount equal to the maximum amount of the Principal and Interest Requirements for the present or any future fiscal year on account of all outstanding Series 2005 Bonds issued pursuant to the Trust Agreement until such time as any Additional Bonds may be issued and thereafter and except as may be otherwise provided in a Supplemental Agreement shall mean an amount equal to the least of (i) the maximum amount of Principal and Interest Requirements for any future fiscal year on account of all bonds then outstanding, and (ii) one hundred twenty-five percent (125%) of the average annual Principal and Interest Requirements on account of all bonds outstanding, and (iii) ten percent (10%) of the sum of the proceeds of each Series of the bonds. For the purposes of this definition, (x) the Principal and Interest Requirements with respect to Variable Rate Bonds shall be based on the maximum interest rate established in the Supplemental Agreement for such bonds and (y) the Principal and Interest Requirements with respect to Derivative Indebtedness shall be based on the Derivative Indebtedness without regard to the terms of any hedging vehicle or contract.

“Defaulted Interest” shall mean Defaulted Interest as defined in the Trust Agreement.

“Defeasance Obligations” shall mean (i) Government Obligations which are not subject to redemption other than at the option of the holder thereof and (ii) Defeased Municipal Obligations.

“Defeased Municipal Obligations” shall mean obligations of any state or territory of the United States or any political subdivision thereof which obligations are rated in the highest rating category by the Rating Services and which obligations meet the following requirements: (i) the obligations are not subject to redemption or the trustee thereof has been given irrevocable instructions to call such obligations for redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the obligations are secured by cash or Government Obligations (which are not subject to redemption other than at the option of the holder thereof) that may be applied only to interest, principal, and premium payments of such obligations; (iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations; (iv) such Government Obligations are held by an escrow deposit agent or trustee; and (v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow deposit agent.

“Depository” shall mean the Trustee or any other bank or trust company duly authorized under the laws of the United States of America or The State of Delaware to engage in the banking business within said State and designated by the County as a depository of moneys under the provisions of the Trust Agreement.

Funds held in a Depository in the name of the County shall be held in trust by the County to be applied only as provided in the Trust Agreement.

“Deposit Day” shall mean the day on or before the tenth (10th) day of each month (or such other day that may be designated in a Supplemental Agreement as a "Deposit Day" in respect of all bonds), on which day a withdrawal from the Revenue Fund and a deposit to one or more other Funds or Accounts is required to accomplish the payments and transfers required by the Trust Agreement.

“Depreciation Reserve Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Depreciation Reserve Fund Requirement” shall mean the amount determined by County Council from time to time to be deposited into the Depreciation Reserve Fund for any particular Fiscal Year.

“Derivative Indebtedness” shall mean Indebtedness which involves the issuance of securities which carry either a fixed or a variable rate together with the simultaneous execution of a hedging vehicle or contract or simultaneous issuance by the County of additional debt security for the purpose of establishing a different effective fixed or variable rate interest cost with respect to such Indebtedness; provided, however, that the County shall enter into any such hedging vehicle or contract with respect to a Series of bonds only with entities that constitute Qualified Swap Providers and only after prior notification of the Rating Services.

“Enabling Legislation” shall mean Title 9, Delaware Code, Chapter 67.

“Fiscal Year” shall mean the 12 month period ending on June 30 in each year or such other fiscal year as the County may adopt for its official purposes.

“General Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Government Obligations” shall mean (i) direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed by the full faith and credit of, the United States Government and (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations the timely payment of the principal of and the interest on which are unconditionally and fully guaranteed by, the United States of America, (a) which obligations are held by a bank or trust company, organized and existing under the laws of the United States of America or any state thereof, in the capacity of custodian; (b) the owner of the proportionate interest is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person

claiming through the custodian, or any person to whom the custodian may be obligated (e.g., CATs and TIGRs).

“Gross Revenues” shall mean all assessments, fees and charges made or imposed by the County with respect to the use or benefit of the Authorized Facilities (including, but not limited to, Capitalization Fees, Connection Fees, Annual Assessments, Service Charges and Permit and Inspection Fees) plus all investment earnings on funds maintained under the Trust Agreement which are to be deposited in the Revenue Fund or the Debt Service Fund.

“Indebtedness” shall mean any obligation for borrowed money.

“Insurer” shall mean, as to any particular maturity or any particular Series of bonds, the person undertaking to insure pursuant to a Bond Insurance Policy such bonds as may be designated in a Supplemental Agreement providing for the issuance of such Bonds.

“Interest Payment Date” shall mean each June 15 and December 15, as the case may be; provided, however, that Interest Payment Date may mean in respect of bonds constituting Variable Rate Bonds or Optional Tender Bonds, or if otherwise so provided in a Supplemental Agreement, such other date or dates provided therein or permitted thereby.

“Interest Period” shall mean the period from the date of the bonds of any Series to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

“Interest Requirement” for any fiscal year or any Interest Period, as the context may require, as applied to bonds of any Series then Outstanding, shall mean the total of the sums that would be deemed to accrue on such bonds during such fiscal year or Interest Period if the interest on the Current Interest Bonds of such Series were deemed to accrue daily during such year or Period in equal amounts; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of bonds or other available moneys or from investment (but not reinvestment) earnings thereof if such proceeds shall have been invested in Investment Obligations and to the extent such earnings may be determined precisely. Unless the County shall otherwise provide in a Supplemental Agreement, interest expense on Credit Facilities drawn upon to purchase but not to retire bonds, except to the extent such interest exceeds the interest otherwise payable on such bonds, shall not be included in the determination of Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such bonds, then “Interest Requirement” shall have the appropriate meaning assigned thereto by the applicable Supplemental Agreement permitted by the Trust Agreement.

“Investment Obligations” shall mean, to the extent permitted by law:

(a)(i) Government Obligations, (ii) Defeased Municipal Obligations, and (iii) any of the following: senior debt obligations of the Federal Home Loan Banks, the Student Loan Marketing Association and the Federal Financing Banks, direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, participation certificates and senior debt obligations of the Federal Home Loan Mortgage Association,

debentures of the Federal Housing Administration, guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association, mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association, guaranteed Title XI financing of the U.S. Maritime Administration and obligations of the Resolution Funding Corporation;

(b) repurchase agreements with respect to the obligations listed in paragraph (a) above entered into pursuant to a specific written agreement with (i) a domestic bank insured by the Federal Deposit Insurance Corporation or (ii) with a domestic financial institution or government bond dealer reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York that is rated in one of the three highest rating categories by the Rating Services (without regard to gradations such as "plus" or "minus") and is a member of the Security Investors Protection Corporation ("SIPC"); provided that the fair market value of the repurchase agreement securities, exclusive of accrued interest, shall be maintained at an amount at least equal to one hundred two percent (102%) of the amount invested in the repurchase agreements and (A) the Trustee or a Depositary (who shall not be the provider of the collateral) or a third party acting solely as agent for the Trustee or a Depositary has possession of the repurchase agreement securities and the obligations referred to above; (B) the Trustee or Depositary will value the repurchase agreement securities no less frequently than daily and failure to maintain the requisite collateral levels will require the Trustee or a Depositary or its agent to liquidate the repurchase agreement securities immediately; (C) the Trustee or a Depositary has a perfected, first priority security interest in the repurchase agreement securities; and (D) the repurchase agreement securities are free and clear of third-party liens, and in the case of a SIPC broker, were not acquired pursuant to a repurchase or reverse repurchase agreement.

(c) certificates of deposit issued by, and time deposits in, or interests in money market portfolios issued by, any bank, banking association or trust company organized under the laws of The State of Delaware, any other state of the United States or of the United States, including the Trustee, any Depositary and their affiliates; provided that (i) the issuing institution is rated at the time of acquisition by the Trustee or a Depositary under the Trust Agreement in the highest short-term rating category or in one of the three highest long-term rating categories by the Rating Services (without regard to gradations such as "plus" or "minus"); or (ii) such certificates, deposits or interests are collateralized by Government Obligations held by the Trustee (who shall not be the provider of such collateral) or by any Federal Reserve Bank or Depositary, as custodian for the issuing institution, and as to which Government Obligations the Trustee or Depositary, as the case may be, shall have a perfected first lien, free from any third-party liens and having a daily market value of not less than the face amount of such certificates, deposits or portfolio interests plus accrued interest thereon to the date of calculation (moneys held in the Debt Service Fund and the Debt Service Reserve Fund may not be invested in certificates, deposits or interests described in clause (ii) above); and

(d) commercial paper rated at the time of acquisition by the Trustee or a Depositary under the Trust Agreement in the highest rating category by the Rating Services (without regard to gradations such as "plus" or "minus");

(e) obligations of state or local government issuers, the principal of and interest on which, when due and payable, have been insured by an Insurer and that are rated at the time of

acquisition by the Trustee or a Depositary under the Trust Agreement in one of the two highest rating categories by the Rating Services (without regard to gradations such as “plus” or “minus”);

(f) shares in one or more open-ended investment funds, provided that the funds are registered under the federal Investment Company Act of 1940, and are rated in one of the two highest rating categories by the Rating Services (without regard to gradations such as “plus” or “minus”);

(g) interests in a money market mutual fund registered under the Investment Company Act of 1940, the portfolio of which is limited to obligations described in clause (a)(i) and/or (a)(ii) and/or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest rating category by the Rating Services (without regard to gradations such as “plus” or “minus”);

(h) bankers' acceptances with a maximum term of one year, of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime – 1” or “A3” or better by Moody's Investors Service and “A-1” or “A” or better by Standard & Poor's Corporation;

(i) full faith and credit obligations of state and local government issuers that are rated at the time of acquisition in one of the three highest rating categories by the Rating Services (without regard to gradations such as “plus” or “minus”); and

(j) any unsecured or secured agreement for the investment of moneys entered into by the County or the Trustee with the Federal National Mortgage Association or any bank, trust company or national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any other financial institution whose unsecured obligations or uncollateralized long term debt obligations (or obligations guaranteed by its parent entity) have been assigned a rating by the Rating Services in one of the two highest rating categories (without regard to gradations such as “plus” or “minus”), or which has issued a letter of credit, contract or agreement in support of debt obligations which have been so rated.

“Net Income Available for Debt Service” shall mean for any period the amount of Gross Revenues (other than Capitalization Fees) less Current Expenses for that period.

“2005 Bond Insurance Policy” shall mean the Financial Guaranty Insurance Policy issued by the 2005 Bond Insurer covering principal and interest on the Series 2005 Bonds.

“2005 Bond Insurer” shall mean the [\_\_\_\_\_].

“Operating Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Operating Reserve Fund” shall mean the fund by that name created and designated by the Trust Agreement.



“Operating Reserve Fund Requirement” shall mean such amount as shall be determined by the County from time to time, not to exceed 1/6th of the total budget for Current Expenses for the applicable year.

“Optional Tender Bonds” shall mean any portion of bonds issued under the Trust Agreement a feature of which is an option on the part of the owners of such bonds to tender to the County or to the Trustee or to any Depositary, Paying Agent or other fiduciary for such owners, or to an agent of any of the foregoing, all or a portion of such bonds for payment or purchase.

“Outstanding” or “outstanding” with respect to bonds shall mean the bonds that have been authenticated and delivered by the Trustee or by the Bond Registrar under the Trust Agreement, except:

- (i) bonds paid or redeemed or delivered to or acquired by the Trustee or the Bond Registrar for cancellation;
- (ii) bonds deemed to have been paid in accordance with the defeasance provisions of the Trust Agreement;
- (iii) bonds in exchange for or in lieu of which other bonds have been authenticated and delivered under the Trust Agreement; and
- (iv) Optional Tender Bonds deemed to have been purchased in accordance with the provisions of the applicable Supplemental Agreement and in lieu of which other bonds have been authenticated and delivered under such Supplemental Agreement;

provided, however, that in determining whether the owners of the requisite principal amount of outstanding bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Trust Agreement, bonds owned by the County or any other obligor upon the bonds shall be disregarded and deemed not to be outstanding, except that the term "obligor upon the bonds" shall not include any Insurer or any Credit Bank unless otherwise provided in a Supplemental Agreement and except that in determining whether the Trustee, a Depositary, the Paying Agents or the Bond Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only bonds that the Trustee, a Depositary, the Paying Agents or Bond Registrar, as the case may be, knows to be so owned shall be so disregarded. Bonds so owned that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such bonds and that the pledgee is not the County or any other obligor upon the bonds except a Credit Bank or an Insurer.

“Paying Agents” shall mean with respect to the bonds of each Series the one or more banks or trust companies designated by the County as the paying agent or tender agent in a Supplemental Agreement and performing the duties set forth in such Supplemental Agreement.

“Permit and Inspection Fees” shall mean the permit fee charged each System user at the time of initial hookup and County Inspection Fees charged to developers who install portions of the System.

“Person” or “person” shall mean and include an association, unincorporated organization, a corporation, a partnership, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

“Principal” or “principal” shall mean (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in the Trust Agreement in connection with the authorization and issuance of bonds and with the order of priority of payments of bonds after an event of default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the owners of the requisite principal amount of bonds then outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of any Capital Appreciation Bond, “principal amount” means the Accreted Amount and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

“Principal and Interest Requirements” for any fiscal year shall mean the sum of the Principal Requirement and the Interest Requirement for such year.

Principal and Interest Requirements are to be determined with respect to Optional Tender Bonds, Variable Rate Bonds or Derivative Indebtedness, in accordance with the following provisions:

(a) Optional Tender Bonds. In the case of Optional Tender Bonds, the options of the owners of such bonds to tender the same for payment prior to their stated maturity or maturities shall be ignored, provided that, (i) such bonds are secured by a Credit Facility and the Credit Bank or obligations secured by credit facilities issued by such Credit Bank shall be rated in one of the three highest rating categories (without reference to gradations such as “plus” or “minus”) by the Rating Services, and (ii) any obligation the County may have, other than its obligation on such bonds (which need not be uniform as to all holders thereof), to reimburse any Credit Bank including any obligations so to reimburse in excess of the Principal and Interest Requirements on such bonds (determined without regard to whether such Credit Bank shall then be holding or shall then have had pledged to it such bonds) shall be subordinated to the obligation of the County on the bonds.

(b) Variable Rate Bonds. In the case of Variable Rate Bonds, the interest rate used in such computation shall be the lowest of (1) the maximum interest rate established in the Supplemental Agreement for such bonds, (2) if and so long as an interest-rate guaranty agreement or an interest-rate protection agreement is in effect with an institution that meets the rating requirements of a “Qualified Swap Provider”, the maximum interest rate to be paid by the County on such bonds in accordance with such agreement and (3) one hundred twenty five percent (125%) of the average rate of interest borne by such Variable Rate Bonds during the immediately preceding twelve (12) month period or such shorter period as such Variable Rate Bonds shall have been issued and Outstanding.

(c) Derivative Indebtedness. In the case of Derivative Indebtedness, the interest on such Derivative Indebtedness shall be calculated based on the expected payments of the County with respect to the Derivative Indebtedness (i) taking into account the net amount to be paid or provided pursuant to any hedging vehicle or contract which was executed simultaneously with such Derivative Indebtedness and is currently in effect and (ii) taking into account any payments with respect to any additional debt security which was executed simultaneously with such Derivative Indebtedness.

“Principal Payment Date” shall mean June 15 upon which the principal of any bond is stated to mature or upon which the principal of any term bond is subject to redemption in satisfaction of an Amortization Requirement; provided, however, that Principal Payment Date may mean, if so provided by a Supplemental Agreement, such other date or dates as may be provided thereby or permitted therein.

“Principal Requirement” for any fiscal year, as applied to the bonds of any Series, shall mean, if and to the extent for such Series of bonds a Principal Payment Date or Dates shall occur on July 2 or thereafter during such fiscal year or on July 1 of the next succeeding fiscal year (each, an “Applicable Principal Payment Date”), an amount calculated beginning

(i) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or

(ii) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

which amount shall equal the sums that would be deemed to accrue on such bonds during such fiscal year if

(i) the principal of the Current Interest Bonds of such Series scheduled to mature or be subject to an Amortization Requirement on or prior to the Applicable Principal Payment Date, and

(ii) the Accreted Amount of the Capital Appreciation Bonds of such Series, scheduled to become due or be subject to an Amortization Requirement on or prior to the Applicable Principal Payment Date, were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; provided, however, that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Investment Obligations and to the extent such earnings may be determined precisely.

“Purchase Price” shall mean the purchase price established in any Supplemental Agreement for Optional Tender Bonds as the purchase price to be paid for such bonds upon an optional or mandatory tender of all or a portion of such bonds.

“Qualified Swap Provider” means, with respect to a Series of bonds, an entity whose senior unsecured long-term obligations or claims-paying ability, or whose payment obligations with respect to Derivative Indebtedness are guaranteed by an entity whose senior unsecured long-term debt obligations or claims-paying ability, are rated in one of the two highest long-term rating categories by the Rating Services (without regard to gradations such as “plus” or “minus”), but in no event lower than any long-term rating category designated by the Rating Services for the bonds Outstanding subject to such Derivative Indebtedness.

“Rating Services” shall mean the nationally recognized rating services which shall have assigned ratings to any bonds outstanding as requested by or on behalf of the County, and which ratings are then currently in effect.

“Redemption Price” shall mean, with respect to bonds or a portion thereof, the principal amount of such bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms and the Trust Agreement.

“Regular Record Date” shall mean for each Series of bonds the June 1 or December 1 next preceding an Interest Payment Date or such other dates as may be specified in a Supplemental Agreement.

“Revenue Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Serial bonds” shall mean the bonds of a Series which shall be stated to mature in annual installments.

“Series” shall mean the bonds issued and delivered at any one time under the provisions of the Trust Agreement and identified as a “Series” of bonds.

“Service Charges” shall mean the periodic charges assessed against properties served by Authorized Facilities which are designed to cover the allocable operating and maintenance and debt service expenses of the Authorized Facilities as shall be determined from time to time by County Council.

“Special Record Date” for the payment of any Defaulted Interest on bonds shall mean a date fixed by the Trustee pursuant to the Trust Agreement.

“Subordinate Obligations” shall mean any indebtedness, obligations, appropriations or transfers, incurred, issued or made (other than bonds) with respect to Authorized Facilities or any other lawful purpose of the County and secured by or payable, in whole or in part, from funds credited to the Subordinate Obligations Fund.

“Subordinate Obligations Fund” shall mean the fund by that name created and designated by the Trust Agreement.

“Supplemental Agreement” shall mean an agreement supplemental to the Trust Agreement entered into by the County and the Trustee, and in conformity with the provisions of

thereof, providing for the issuance of a Series of bonds and setting forth the provisions and details thereof not inconsistent with the Trust Agreement.

“Term bonds” shall mean all or some of the bonds of a Series other than serial bonds that shall be stated to mature on one or more dates.

“Trustee” shall mean the Trustee under the Trust Agreement or as may be designated in a Supplemental Agreement and its successors as may be designated in like manner from time to time in accordance with the terms of the Trust Agreement or any such Supplemental Agreement.

“Variable Rate Bonds” shall mean any portion of bonds the interest rate on which is not established at the time of issuance of such bonds at a single numerical rate for the entire term of the bonds.

### ***Additional Bonds***

Additional Series of bonds of the County may be issued under and secured by the Trust Agreement, at one time or from time to time, in addition to the Series 2005 Bonds issued under the provisions therein (the “Additional Bonds”) for the purposes of providing additional funds for paying all or any part of the cost of or completing payment of the cost of the Authorized Facilities. Such Additional Bonds may be issued in such forms including, but in no way limited to, Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Optional Tender Bonds, serial bonds or term bonds or any combination thereof, all as may be provided in the applicable Supplemental Agreement.

The bonds of each Series shall be designated, shall be dated and numbered, shall bear interest at such rate or rates or shall have such yield or yields, shall be stated to mature in such year or years and in such principal amounts, and shall be made redeemable at such times and prices (subject to the provisions of the Trust Agreement), may be insured in whole or in part and may have benefit of a Credit Facility or Bond Insurance Policy, in whole or in part, all as may be set forth in or provided by the applicable Supplemental Agreement.

Except as to any Credit Facility or Bond Insurance Policy in respect to such Additional Bonds and as to any difference in the maturities thereof or in the rate or rates of interest or the provisions for redemption or purchase or Interest Payment Dates or Principal Payment Dates and except for such differences, if any, respecting the use of moneys in various accounts of the Debt Service Fund, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Series 2005 Bonds issued under the provisions thereof or any other Additional Bonds issued thereunder. Before such bonds shall be authenticated and delivered by the Bond Registrar, there shall be filed with the Bond Registrar either (i) a certificate of the Accountants demonstrating that the Net Income Available for Debt Service in any twelve consecutive of the most recent eighteen months was at least 1.25 times the maximum amount of Principal and Interest Requirements for any fiscal year on all Bonds Outstanding after the issuance of the proposed Additional Bonds or (ii) a report of a Consulting Engineer concluding to the effect that the schedule of rates and charges which the County has adopted are sufficient to produce, on a pro forma basis, Net Income Available for Debt Service in the fiscal year immediately following the fiscal year in which the facilities being

financed are estimated to be completed at least equal to 1.25 times the maximum amount of Principal and Interest Requirements for any fiscal year on all Bonds Outstanding under the Trust Agreement including the proposed Additional Bonds; and an opinion of counsel for the County stating that the issuance of such Additional Bonds has been duly authorized, that all ordinances and resolutions of the County relating thereto have been duly adopted and that all conditions precedent to the delivery of such Additional Bonds have been fulfilled.

### ***Refunding Bonds***

Series of refunding bonds of the County may be issued under and secured by the Trust Agreement, subject to the conditions provided therein, at any time or times, for the purpose of providing funds, together with other available moneys, for refunding prior to their maturity or maturities, including the payment of any redemption premium thereon or for paying at their maturity or maturities all or any part of the outstanding bonds or any Series and/or all or any part of any other Indebtedness of the County incurred with respect to any Authorized Facilities, including without limitation, Subordinate Obligations and, if deemed necessary by the County, for paying the interest thereon to the date of their redemption or payment and any expenses in connection with such refunding.

Any such refunding bonds shall be designated, shall be dated and numbered, shall bear interest at a rate or rates or shall have such yield or yields, shall be stated to mature in such year or years, and in such principal amount or amounts, may be insured in whole or in part or may have the benefit in whole or in part of a Credit Facility or a Bond Insurance Policy, and shall be made redeemable at such times and prices (subject to the provisions of the Trust Agreement), all as may be provided by the applicable Supplemental Agreement. Such refunding Bonds may be issued in such forms including, but in no way limited to, Capital Appreciation Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds, serial bonds or term bonds or any combination thereof, all as may be provided in the applicable Supplemental Agreement.

Except as to any Credit Facility or Bond Insurance Policy in respect to such bonds and as to any difference in the maturities thereof or in the rate or rates of interest or the provisions for redemption or purchase, and except for such differences, if any, respecting the use of moneys in the various accounts in the Debt Service Fund, such refunding bonds shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the bonds theretofore or thereafter issued under the provisions of the Trust Agreement.

The Bond Registrar may not authenticate and deliver such bonds unless

(I) the proceeds (excluding accrued interest) of such refunding bonds, together with any other available funds deposited with the Trustee for such purpose and the income that shall accrue or have accrued upon any Defeasance Obligations acquired, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the bonds or other Indebtedness to be refunded and the interest which will accrue thereon to the respective redemption and maturity dates (calculated with respect to interest that will accrue on any bonds being refunded with Crossover Refunding Bonds, from the Crossover Date), and the expenses incident to such refunding, and

(II) either (A) in the case of a refunding of bonds, during the fiscal years in which any of the bonds not so refunded are scheduled to be outstanding, the Principal and Interest Requirements for any fiscal year on account of all bonds outstanding, after the issuance of such refunding bonds and the redemption or provision for payment of the bonds to be refunded, shall not exceed the maximum Principal and Interest Requirements for any such fiscal years on account of all the bonds outstanding, including the bonds to be refunded, immediately prior to the issuance of such refunding bonds, or (B) the County shall demonstrate satisfaction of either of the tests set forth above with respect to the issuance of Additional Bonds as applied to the refunding bonds to be issued.

Simultaneously with the delivery of such refunding bonds, the County may withdraw from the Debt Service Fund such amount, if any, as may have been deposited to the credit of the Debt Service Fund for the payment of the principal of or the interest on the bonds to be refunded and any excess to the credit of the Debt Service Reserve Fund. All expenses in connection with the issuance of such refunding bonds shall be deemed to constitute necessary Current Expenses and may be paid from the Revenue Fund or the proceeds of such refunding bonds.

#### ***Mutilated, Destroyed or Lost Bonds***

In case any bond secured by the Trust Agreement shall become mutilated or be destroyed or lost, the County shall cause to be executed, and the Bond Registrar shall authenticate and deliver, a new bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated bond, or in lieu of and in substitution for such bond destroyed, stolen or lost, upon the holder's paying the reasonable expenses and charges of the County and the Bond Registrar in connection therewith and, in the case of a bond destroyed, stolen or lost, his filing with the Bond Registrar evidence satisfactory to it and to the County that such bond was destroyed, stolen or lost, and of his ownership thereof, and furnishing the County and the Bond Registrar with indemnity, including corporate surety, satisfactory to them in their sole discretion. Notwithstanding the foregoing, in the event any such bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new bond the County may elect to pay the same without surrender thereof.

Every bond issued pursuant to the provisions of the Trust Agreement in exchange or substitution for any bond that is mutilated, destroyed, stolen or lost shall constitute an additional contractual obligation of the County, whether the destroyed, stolen or lost bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other bonds duly issued under the Trust Agreement. All bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, stolen or lost bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

#### ***Redemption***

The Series 2005 Bonds are subject to mandatory and optional redemption as described in the Official Statement.

Bonds subject to redemption shall be redeemed only in the minimum denomination authorized by the applicable Supplemental Agreement or in whole multiples of such minimum denomination. In selecting bonds of a Series for redemption, the Trustee shall treat each bond as representing the number of bonds that is obtained by dividing the principal amount of such bond by the minimum denomination authorized by the applicable Supplemental Agreement. If less than all of the bonds of a particular maturity of a Series shall be called for redemption, the particular bonds or portions of bonds to be redeemed shall be selected by the Trustee by such method as the Trustee in its sole discretion shall determine.

***Establishment of Funds; Flow of Funds***

The following funds and accounts are to be established and maintained under the Trust Agreement:

- (a) Construction Fund and within such fund a Series 1994 Bonds Construction Account and a Capitalized Interest Account;
- (b) Capitalization Fees Fund;
- (c) Revenue Fund and within such fund the following accounts: (i) Connection Fees Account and (ii) Annual Assessments/Service Charges Account;
- (d) Operating Fund;
- (e) Operating Reserve Fund;
- (f) Debt Service Fund;
- (g) Debt Service Reserve Fund;
- (h) Depreciation Reserve Fund;
- (i) Subordinate Obligations Fund;
- (j) General Fund; and
- (k) Settlement Account.

The County may establish such additional funds, accounts and sub-accounts as it may deem appropriate.

The County shall maintain the following funds on deposit with a Depositary: the Construction Fund, the Capitalization Fees Fund, the Revenue Fund, the Operating Fund, the Operating Reserve Fund, the Depreciation Reserve Fund and the General Fund. The following funds shall be held by the Trustee: the Debt Service Fund, the Debt Service Reserve Fund, the Subordinate Obligations Fund, and the Settlement Account.



### ***Construction Fund and Capitalization Fees Fund***

The proceeds of bonds and other funds shall be deposited in the Construction Fund, Capitalization Fees Fund, Debt Service Fund, and/or Settlement Account, as required by the provisions of the Trust Agreement provided that proceeds to be applied for refunding purposes may be deposited with an Escrow Agent for the benefit of the refunded bonds. The moneys in the Construction Fund and Capitalization Fees Fund shall be held by one or more Depositaries in trust and shall be applied as provided in the Trust Agreement or a Supplemental Agreement and, pending such application, shall be subject to a lien and charge in favor of the owners of the bonds issued and outstanding under the Trust Agreement and for the further security of such owners until paid out or transferred as provided in the Trust Agreement.

Payment of the cost of any Authorized Facilities shall be made from the Construction Fund upon the direction or order of any County Representative. All payments from the Construction Fund shall be subject to the provisions and restrictions set forth in the Trust Agreement and the County covenants that it will not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

For the purposes of the Trust Agreement the cost of any such Authorized Facilities shall include the cost of the planning, acquisition, purchase, construction, reconstruction, improvement, betterment, extension or equipping of any Authorized Facilities including any County employee, administrative or other overhead cost properly allocable to the costs of such Authorized Facilities; all costs of insurance of bonds or any other financing for the Authorized Facilities, all engineering, inspection, fiscal and legal expenses and all interest on the bonds or on any other financing for the Authorized Facilities during the construction period and for a period of six months after completion; the reimbursement of any such cost previously paid by the County; and the repayment of any temporary debt incurred for any such purpose.

Unless otherwise provided in a Supplemental Agreement, when the construction of any Authorized Facilities being financed with bonds shall have been completed, which fact shall be evidenced by a certificate stating the date or the expected date of such completion (referred to as the "Completion Date"), signed by the Consulting Engineers, the balance in the Construction Fund applicable to any such Authorized Facilities not reserved by the County for the payment of any remaining part of the cost of any such Facilities shall be transferred by the Depositary to the credit of the Debt Service Reserve Fund, the Revenue Fund or the Debt Service Fund as the County may direct provided that no such transfers shall take place until the County and the Trustee shall have received an opinion of Bond Counsel for the County stating that such transfer of funds shall not adversely affect the exclusion, if any, of interest on the bonds from the gross income of the recipients thereof for purposes of federal income tax.

Capitalization Fees Fund. Funds in the Capitalization Fees Fund shall be applied as described in the Official Statement. All earnings on funds in the Capitalization Fees Fund shall be retained therein.

Deposit of Gross Revenues. The County shall deposit all Gross Revenues as soon as practicable after receipt to be applied as provided under the Trust Agreement. All Capitalization Fees shall be deposited in the Capitalization Fees Fund. All Connection Fees shall be deposited in the Connection Fees Account of the Revenue Fund and all Annual Assessments,

Service Charges and Permit and Inspection Fees shall be deposited in the Annual Assessments/Service Charges Account of the Revenue Fund. Any other Gross Revenues shall be deposited in a separate Account of the Revenue Fund to be established at such time as the County deposits such Gross Revenues with the Depository holding the Revenue Fund.

Revenue Fund. Funds in the Revenue Fund shall be applied as described in the Official Statement. All earnings on funds in the Revenue Fund shall be retained therein.

Operating Fund. The County shall apply funds in the Operating Fund to pay Current Expenses of the Authorized Facilities. In the event that the County determines that there are not sufficient funds otherwise available in the Debt Service Fund, Revenue Fund or Operating Reserve Fund to pay debt service on the bonds when due, it shall withdraw funds from the Operating Fund for deposit to the Debt Service Fund for such purpose. All earnings on funds in the Operating Fund shall be retained therein.

Operating Reserve Fund. To the extent that funds are not available in the Operating Fund, the County shall apply funds in the Operating Reserve Fund to pay Current Expenses of the Authorized Facilities. In the event that the County determines that there are not sufficient funds otherwise available in the Debt Service Fund or the Revenue Fund to pay debt service on the bonds when due, it shall withdraw funds from the Operating Reserve Fund for deposit to the Debt Service Fund for such purpose. All earnings on funds in the Operating Reserve Fund shall be retained therein to the extent it does not cause the total amount therein to exceed the Operating Reserve Fund Requirement. All amounts in excess of the Operating Reserve Fund Requirement shall be transferred to the Revenue Fund.

Debt Service Fund. (a) The Trustee shall, on or before each Interest Payment Date, withdraw from the Debt Service Fund and transfer to the Bond Registrar, and the Bond Registrar shall, except as otherwise provided by Supplemental Agreement, (1) remit by mail or wire transfer, as applicable in accordance with the provisions of the Trust Agreement, to each registered owner of the amounts required for paying the interest of such bonds as such interest becomes due and payable and (2) set aside or deposit in trust with the Bond Registrar or any Paying Agent, the amounts required for paying the Principal of such bonds as such Principal becomes due and payable.

(b) Except in the case of any bonds that constitute Variable Rate Bonds or Optional Tender Bonds, the Trustee shall endeavor to purchase bonds prior to maturity at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal amount of such bonds. The Trustee shall pay the purchase price and the interest accrued on such bonds to the date of settlement therefor from the Debt Service Fund; provided, however, that money in the Debt Service Fund may be used by the Trustee to purchase bonds for cancellation only to the extent said moneys are in excess of the amount required for payment of the bonds theretofore matured and the total amount of interest and principal on the bonds scheduled to become due on the next succeeding Interest Payment Date or Principal Payment Date, respectively; provided further, however, that nothing in the Trust Agreement shall be construed as precluding the County from applying any other available moneys to purchase bonds for cancellation in satisfaction of the Principal Requirements with respect to bonds.

(c) In the case of bonds secured by a Credit Facility, amounts on deposit in the Debt Service Fund may be applied as provided in the applicable Supplemental Agreement to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of and premium, if any, and interest on such bonds, as appropriate.

(d) All earnings on funds in the Debt Service Fund shall be retained therein.

Debt Service Reserve Fund. Funds held in the Debt Service Reserve Fund shall be applied as described in the Official Statement. All earnings on funds in the Debt Service Reserve Fund shall be retained therein provided that, if on any day the moneys held therein shall exceed an amount equal to the Debt Service Reserve Fund Requirement, at the direction of the County, the Trustee shall transfer such excess to the Debt Service Fund or to an escrow fund for any bonds being refunded. If on the Deposit Day immediately preceding each Interest Payment Date and/or Principal Payment Date in each fiscal year the moneys held for the credit of the Debt Service Reserve Fund shall exceed an amount equal to the Debt Service Reserve Fund Requirement, the Trustee shall transfer such excess to the credit of the Debt Service Fund.

The County may satisfy the Debt Service Reserve Fund Requirement by the deposit of a surety bond, insurance policy or letter of credit as set forth below, provided that the following provisions have been fulfilled.

1. A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the bonds (a "municipal bond insurer") may be deposited in the Debt Service Reserve Fund to meet the Debt Service Reserve Fund Requirement if the claims paying ability of the issuer thereof shall be rated in the highest rating category of the Rating Services (without regard to gradations such as "plus" or "minus").

2. An unconditional irrevocable letter of credit issued to the Trustee by a bank may be deposited in the Debt Service Reserve Fund to meet the Debt Service Reserve Fund Requirement if the issuer thereof is rated in one of the two highest rating categories of the Rating Services (without regard to gradations such as "plus" or "minus"). The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that a drawing on the letter of credit is required or authorized in accordance with the terms of the Trust Agreement. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the County and the Trustee, not later than 18 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Fund is fully funded in its required amount.

3. The obligation to reimburse the issuer of a Debt Service Reserve Fund credit instrument for any fees, expenses, claims or draws upon such Debt Service Reserve Fund

credit instrument shall be subordinate to the payment of the principal and interest on the bonds. The right of the issuer of a Debt Service Reserve Fund credit instrument to payment or reimbursement of its fees and expenses shall be subordinate to cash replenishment of the Debt Service Reserve Fund, and, subject to the next sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Fund. The Debt Service Reserve Fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid.

4. If (a) the revolving reinstatement feature described in the preceding subparagraph is suspended or terminated or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below the highest rating category of the Rating Services (without regard to gradations such as "plus" or "minus") or (c) the rating of the issuer of the letter of credit falls below one of two highest rating categories of the Rating Services (without regard to gradations such as "plus" or "minus"), the County shall either (i) deposit into the Debt Service Reserve Fund an amount sufficient to cause the cash or Investment Obligations on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement on all outstanding bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of subparagraphs 1 or 2 above. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below one of the three highest rating categories of the Rating Services (without regard to gradations such as "plus" or "minus") or (b) the rating of the issuer of the letter of credit falls below one of the three highest rating categories of the Rating Services (without regard to gradations such as "plus" or "minus") or (c) the issuer of the Debt Service Reserve Fund credit instrument defaults in its payment obligations or (d) the issuer of the Debt Service Reserve Fund credit instrument becomes insolvent, the County shall either (i) deposit into the Debt Service Reserve Fund an amount sufficient to cause the cash or Investment Obligations on deposit in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund Requirement, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of subparagraphs 1 or 2 above.

5. Where applicable, the amount available for draws or claims under the Debt Service Reserve Fund credit instrument may be reduced by the amount of cash or Investment Obligations deposited in the Debt Service Reserve Fund.

6. The Trustee shall ascertain the necessity for a claim or draw upon the Debt Service Reserve Fund credit instrument and shall provide notice to the issuer of the Debt Service Reserve Fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Debt Service Reserve Fund credit instrument) prior to each Interest Payment Date.

7. Cash on deposit in the Debt Service Reserve Fund shall be used (or Investment Obligations purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Debt Service Reserve Fund credit instrument. If and to the extent that more than one Debt Service Reserve Fund credit instrument is deposited in the Debt

Service Reserve Fund, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Depreciation Reserve Fund. Funds held in the Depreciation Reserve Fund shall be applied by the County to pay the costs of any unusual or extraordinary maintenance or repairs or any renewals or replacements of any Authorized Facilities. Whenever and to the extent that the funds held in the Debt Service Fund are insufficient to pay the Principal and Interest Requirements on bonds when due, the County shall cause any funds then held in the Depreciation Reserve Fund to be deposited in the Debt Service Fund to be applied to such purposes. All earnings on funds in the Depreciation Reserve Fund shall be retained therein.

Subordinate Obligations Fund. Funds held in the Subordinate Obligations Fund shall be applied as provided in the Supplemental Agreement providing for the issuance of Subordinate Obligations.

General Fund. The County may use funds in the General Fund for any lawful purpose of the County subject to any restrictions that may be imposed by any Supplemental Agreement.

Settlement Account. Funds in the Settlement Account may be applied as directed by the County to pay costs of issuance of Bonds.

Moneys Set Aside to be Held in Trust. All moneys which the Trustee shall have withdrawn from the Debt Service Reserve Fund or shall have received from any other source and set aside, or deposited with the Bond Registrar or Paying Agents, for the purpose of paying any of the bonds secured by the Trust Agreement, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective holders of such bonds. But any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the holders of such bonds for the period of two (2) years after the date on which such bonds shall have become due and payable shall upon request in writing be paid to the County or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the holders of such bonds shall look only to the County or to such officer, board or body, as the case may be, for the payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee, the Bond Registrar, each Depositary and the Paying Agents shall have no responsibility with respect to such moneys.

#### ***Depositories of Moneys, Security for Deposits and Investment of Funds***

All moneys received by the County under the provisions of the Trust Agreement shall be held in trust and applied only in accordance with the provisions of the Trust Agreement. All moneys held by the County or deposited with each Depositary, including the Trustee, shall be credited to the particular fund or account to which such moneys belong.

Moneys held for the credit of the Construction Fund, any special construction fund and the Capitalization Fees Fund shall be invested by the Depositary thereof, from time to time, at the direction of a County Representative, in Investment Obligations that shall mature, or that shall be subject to redemption by the holder thereof at the option of such holder, not later than the

respective dates when the moneys held for the credit of said Fund or special accounts will be required for the purposes intended.

Moneys held for the credit of the Revenue Fund, the Operating Fund, the Operating Reserve Fund and the Depreciation Reserve Fund shall be invested by the Depositary thereof, from time to time, at the direction of a County Representative in Investment Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, not later than twelve (12) months after the date of such investment.

Moneys held for the credit of the Debt Service Fund and the Subordinate Obligations Fund shall, as nearly as may be practicable, be invested and reinvested by the Trustee, from time to time, at the direction of a County Representative in Investment Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, not later than twelve (12) months after the date of such investment.

Moneys held for the credit of the Debt Service Reserve Fund may be invested by the Trustee, from time to time, at the direction of a County Representative in Investment Obligations with a maturity or which shall be subject to redemption at the option of the holder thereof not later than the final maturity of the bonds outstanding.

Moneys held for the credit of the General Fund or the Settlement Account may be invested in Investment Obligations in such manner as a County Representative may, from time to time, direct.

Any investment in any Investment Obligation may be made in the form of an entry made on the records of the issuer of the particular obligation. Neither the Trustee nor any Depositary shall be liable or responsible for any loss resulting from any such investment provided that the Trustee or such Depositary has complied with the terms of the Trust Agreement.

For the purpose of determining the amount on deposit to the credit of any Fund, obligations maturing or subject to redemption at the option of the holder thereof and having an average aggregate weighted term to maturity greater than ten (10) years in which money in such Fund shall have been invested shall be valued at the market value or the amortized cost thereof, whichever is lower, and obligations maturing or subject to redemption at the option of the holder thereof and having an average aggregate weighted term to maturity of ten (10) years or less in which money in such Fund shall have been invested shall be valued at the amortized cost thereof.

The Trustee and the Depositaries shall value the investments in the Funds and Accounts semi-annually as of each June 30 and December 31. In addition, the Investment Obligations in any other fund or account maintained under the Trust Agreement shall be valued by the Trustee at any time requested by the County on reasonable notice.

### ***Annual Budget***

The County covenants that on or before the 1st day of July in each fiscal year it will adopt the final budget for that fiscal year of Current Expenses (sometimes called the "Annual Budget"). The final budget also shall contain the County's projection of Gross Revenues for the ensuing fiscal year and shall otherwise demonstrate compliance with the rate covenant contained

in the Trust Agreement. On or before the 10th day of July in such fiscal year a copy of the Annual Budget shall be filed with the Trustee.

***Insurance, Damage, Destruction and Condemnation***

(a) General. The County shall continuously maintain or cause to be maintained insurance against such risks as are customarily insured against by public bodies operating systems similar in size and character to the Authorized Facilities, including without limitation:

(i) Insurance in the amount of the full replacement cost of the Authorized Facilities' insurable portions against loss or damage by fire and lightning, with broad form extended coverage endorsements covering damage by windstorm, explosion, aircraft, smoke, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally covered by such endorsement (limited only as may be provided in the standard form of such endorsements at the time in use in Delaware); provided that during the construction of any Authorized Facilities, the County may provide or cause to be provided, in lieu of the insurance in the amount of the full replacement cost thereof, builders' risk or similar types of insurance in the amount of the full replacement cost thereof;

(ii) Comprehensive general liability insurance with a combined limit of \$1,000,000 per year against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of use thereof, arising out of the ownership, maintenance, operation or use of the Authorized Facilities; and

(iii) Workers' compensation insurance (to the extent required of governmental bodies such as the County).

(b) Requirements of Policies. All insurance required by the Trust Agreement shall be maintained with generally recognized, responsible insurance companies selected by the County and who are licensed to do business in Delaware. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the Authorized Facilities.

(c) Notice of Damage, Destruction and Condemnation. In the case of (i) any damage to or destruction of any material part of the Authorized Facilities, (ii) a taking of all or any part of the Authorized Facilities or any right therein under the exercise of the power of eminent domain, (iii) any loss of the Authorized Facilities because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the County shall give prompt notice thereof to the Trustee describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

***Accurate records; Annual Audits; Additional Report or Audits.***

The County covenants that it will keep an accurate record of the total cost of any Authorized Facilities funded with the proceeds of bonds, of the Gross Revenues collected and of the application of such Gross Revenues.

The County further covenants that promptly after the close of each fiscal year it will cause an audit to be made by the Accountants of its books and accounts relating to the Authorized Facilities for the preceding fiscal year. The Trustee shall make available to such Accountants all its books and records pertaining to the Authorized Facilities. Promptly thereafter reports of each such audit shall be filed with the County and the Trustee. Each such audit report shall set forth in respect of the preceding fiscal year an income and expense account showing the Gross Revenues and Current Expenses, the balance sheet as of the end of such fiscal year, the amount on deposit at the end of such fiscal year to the credit of each Fund and Account created under the provisions of the Trust Agreement, the security therefor and the details of any investment thereof, the findings of such Accountants as to whether the moneys received by the County under the provisions of the Trust Agreement during such fiscal year have been applied in accordance with the provisions of the Trust Agreement, whether Current Expenses were incurred in the preceding fiscal year in excess of the Annual Budget for such fiscal year, whether the Net Income Available for Debt Service for the preceding fiscal year exceeded or was less than the amount for such fiscal year referred to in the Trust Agreement, whether the County is in default in the performance of the covenant contained in the Trust Agreement, and, in addition, shall set forth the Amortization Requirements for the current fiscal year and all subsequent fiscal years for the term bonds of each Series then outstanding as computed by the Trustee and filed with the County. Such audit report shall be open at all reasonable times to the inspection of the bondholders and their agents and representatives.

The County further covenants that it will cause any additional reports or audits relating to the Authorized Facilities to be made as required by law and that, as often as may be requested, it will furnish to the Trustee such other information concerning the Authorized Facilities or the operation thereof as it may reasonably request.

#### ***Covenants with Credit Providers.***

The County may make such covenants as it may in its sole discretion determine to be appropriate with any Credit Bank or Insurer that shall agree to insure or to provide a Credit Facility for bonds of any one or more Series, or certain maturities thereof, that shall enhance the security or the value of such bonds and thereby reduce the debt service that would be otherwise payable with respect to such bonds in the absence of such Credit Facility. Such covenants may be set forth in or provided for by the applicable Supplemental Agreement and shall be binding on the County, the Trustee, the Bond Registrar, the Paying Agents, the Depositaries and all the owners of bonds the same as if such covenants were set forth in full in the Trust Agreement.

#### ***Subordinate Obligations***

(a) The County covenants that it will not issue or incur any Indebtedness payable from the moneys to the credit of the Subordinate Obligations Fund except for authorized purposes. Such Subordinate Obligations shall be payable out of and may be secured by a pledge of (i) such amounts in the Subordinate Obligations Fund as may from time to time be available therefor, and (ii) any other funds of the County that may be available for such purposes provided that any such payment or pledge made pursuant to clause (i) of this sentence shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created under the Trust Agreement as security for the bonds.



The County shall have the right to covenant with the owners from time to time of any other Indebtedness for the payment of which the moneys in the Subordinate Obligations Fund are pledged that it will not issue any Additional Bonds under the provisions of the Trust Agreement other than bonds to pay such Subordinate Obligations until provision has been made for the retirement of such Subordinate Obligations.

The County shall have the right to covenant with the owners from time to time of any Subordinate Obligations to add to the conditions, limitations and restrictions under which any Additional or Refunding Bonds may be issued under the provisions of the Trust Agreement.

(b) The resolution, indenture or other instrument securing each issue of Subordinate Obligations shall contain provisions (which shall be binding on all holders of such Subordinate Obligations) not more favorable to the holders of such Subordinate obligations than the following:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the County, or the Authorized Facilities, or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the County, or the Authorized Facilities, whether or not involving insolvency or bankruptcy, the owners of all bonds then outstanding shall be entitled to receive payment in full of all principal and interest due on all such bonds in accordance with the provisions of the Trust Agreement before the holders of the Subordinate Obligations are entitled to receive any payment from the funds pledged to the bonds on account of principal (and premium, if any) or interest upon the Subordinate Obligations.

(2) In the event that any issue of Subordinate Obligations is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above shall not be applicable), the owners of all bonds outstanding at the time such Subordinate Obligations become due and payable because of the occurrence of such an event of default shall be entitled to receive payment in full of all principal and interest on all such bonds then due and payable before the holders of the Subordinate Obligations are entitled to receive any accelerated payment from the Gross Revenues and other moneys pledged to the bonds under the Trust Agreement of principal (and premium, if any) or interest upon the Subordinate Obligations.

(3) If any Event of Default with respect to the bonds shall have occurred and be continuing (under circumstances when the provisions of (1) above shall not be applicable), the owners of all bonds then outstanding shall be entitled to receive payment in full of all principal and interest on all such bonds as the same become due and payable before the holders of the Subordinate Obligations are entitled to receive, subject to the provision of (5) below, any payment from the funds pledged to the bonds under the Trust Agreement of principal (and premium, if any) or interest upon the Subordinate Obligations.

(4) No owner of a bond shall be prejudiced in his right to enforce subordination of the Subordinate Obligations by any act or failure to act on the part of the County.

(5) The Subordinate Obligations may provide that the provisions of (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the owners of the bonds on the one hand, and the holders of Subordinate Obligations on the other hand, and that nothing therein shall impair, as between the County and the holders of the Subordinate Obligations, the obligation of the County, which is unconditional and absolute, to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor shall anything therein prevent the holders of the Subordinate Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the owners of bonds to receive cash, property or securities from the funds pledged to the bonds under the Trust Agreement otherwise payable or deliverable to the holders of the Subordinate Obligations; and the Subordinate Obligations may provide that, insofar as a trustee or paying agent for such Subordinate Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinate Obligations if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any such issue of Subordinate Obligations may have such rank or priority with respect to any other issue of Subordinate Obligations as may be provided in the resolution, indenture or other instrument securing such issue of Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of the Trust Agreement.

### ***Events of Default and Remedies***

Each of the following events constitutes an "event of default" under the Trust Agreement: If

(a) payment of the principal and of the Redemption Price on any of the bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest on any of the bonds shall not be made when the same shall become due and payable; or

(c) the County shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the bonds or in the Trust Agreement on the part of the County to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the County by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the holders of not less than a majority in aggregate principal amount of the bonds then outstanding; provided, that if such default is of such nature that it can be corrected within a reasonable time, but not within such thirty (30) day period, the same shall not constitute an event of default so long as the County has commenced prompt corrective action and is diligently pursuing the same; or

(d) an order or decree shall be entered, with the consent or acquiescence of the County, appointing a receiver or receivers of the Authorized Facilities or any part thereof, or if such order or decree, having been entered without the consent or acquiescence of the County, shall not be vacated or discharged or stayed on appeal within ninety (90) days after the entry thereof; or

(e) the County shall for any reason be rendered incapable of fulfilling its obligations under the Trust Agreement.

Upon the happening and continuance of any event of default specified above, then and in every such case the Trustee may proceed, and upon the written request of the holders of not less than a majority in aggregate principal amount of the bonds then outstanding under the Trust Agreement shall proceed, subject to the provisions of the Trust Agreement, to take possession of the Construction Fund, the Revenue Fund, the Operating Fund, the Operating Reserve Fund and the Depreciation Reserve Fund and otherwise to protect and enforce its rights and the rights of the bondholders under the laws of The State of Delaware or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the County for principal, interest or otherwise under any of the provisions of the Trust Agreement or of the bonds and unpaid, with interest on overdue payments of principal at the rate or rates of interest specified in such bonds, together with any and all costs and expenses of collection and of all proceedings under the Trust Agreement and under such bonds, without prejudice to any other right or remedy of the Trustee or of the bondholders, and to recover and enforce judgment or decree against the County but solely as provided in the Trust Agreement and in such bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Debt Service Fund and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Anything in the Trust Agreement to the contrary notwithstanding, if at any time the moneys in the Debt Service Fund shall not be sufficient to pay the interest on or the principal of the bonds as the same shall become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for above or otherwise, shall be applied as follows:

(a) If the principal of all the bonds shall not have become due and payable, all such moneys shall be applied

first: to the payment to the persons entitled thereto of all installments of interest then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably,

according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of such bonds which shall have become due and payable (other than bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Trust Agreement), in the order of their due dates, with interest on the principal amount of such bonds at the respective rates specified therein from the respective dates upon which such bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such bonds due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the bonds; and

third: to the payment of the interest on and the principal of such bonds, to the purchase and retirement of such bonds and to the redemption of such bonds, all in accordance with the provisions of the Trust Agreement.

(b) If the principal of all the bonds shall have become due and payable, all such moneys shall be applied

first: to the payment of the principal and interest then due and unpaid upon the bonds without preference or priority of principal over interest or interest over principal, or of any bond over any other bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the bonds; and

second: subject to the provisions of any Supplemental Agreement providing for the issuance of Subordinate Obligations, to the payment of the Subordinate Obligations without preference or priority of principal over interest or of any Subordinate Obligation over any other Subordinate Obligation, ratably according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination nor preference except as to any difference in the respective rates of interest specified in the Subordinate Obligations.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Trust Agreement, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise

setting aside such moneys in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the County, to any bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the holder of any bond until such bond shall be surrendered to the Trustee for appropriate endorsement, or for cancellation if fully paid.

In case any proceeding taken by the Trustee or bondholders on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the County, the Trustee and the bondholders shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Majority of Bondholders May Control Proceedings. Anything in the Trust Agreement to the contrary notwithstanding, the holders of a majority in principal amount of the bonds then outstanding thereunder shall have the right, subject to the provisions of the Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Trust Agreement.

Restriction on Action by Individual Bondholders. No holder of any of the bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Trust Agreement or for any other remedy under the Trust Agreement unless such holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the holders of not less than a majority in aggregate principal amount of the bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or to any other remedy thereunder; provided, however, that notwithstanding the foregoing provisions and without complying therewith, the holders of not less than a majority in aggregate principal amount of the bonds then outstanding may institute any such suit, action or proceeding in their own names for the benefit of all holders of bonds under the Trust Agreement. It is understood and intended that, except as otherwise above provided, no one or more holders of the bonds secured by the Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right thereunder except in the manner therein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all holders of such outstanding bonds, and that any individual right of action or other right given to one or more of such holders by law is restricted by the Trust Agreement to the rights and remedies therein provided.

Waivers of Defaults. The Trustee may, and upon written request of the holders of not less than a majority in principal amount of the bonds then outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Trust Agreement or before the completion of the enforcement of any other remedy thereunder, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Notice of Default. The Trustee shall mail or shall direct the Bond Registrar to mail to all registered owners of bonds at their addresses as they appear on the registration books written notice of the occurrence of any event of default set forth in the Trust Agreement of which the Trustee is required to take notice within thirty (30) days after the Trustee is deemed to have notice that any such event of default shall have occurred.

Rights of Credit Banks and Insurers. Notwithstanding anything contained in the Trust Agreement to the contrary, but subject to the provisions of any applicable Supplemental Agreement, any Insurer or Credit Bank shall be treated as the owner of Bonds upon which such Insurer or Credit Bank is obligated pursuant to a Bond Insurance Policy or Credit Facility, as applicable, for the purposes of calculating whether or not the owners of the requisite percentage of bonds then outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the owners of the bonds; provided, however, that such Insurer or Credit

Bank shall cease to be so regarded as owner of such bonds in the event such Insurer or Credit Bank is in default of its obligations under the applicable Bond Insurance Policy or Credit Facility.

Notwithstanding anything contained in the Trust Agreement to the contrary, but subject to the provisions of any applicable Supplemental Agreement, until the County has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay interest or principal due on any Interest or Principal Payment Date or to the extent any Insurer has exercised its rights as subrogee for the particular bonds it has insured payment of, (a) such bonds shall be deemed to be outstanding and such Credit Bank or Insurer shall succeed to the rights and interests of the bondholders to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable insurance policy until such amount has been reimbursed and (b) upon presentation to the Bond Registrar, such bonds shall be registered in the name of the Credit Bank or its nominee or the Insurer or its nominee, as appropriate.

Bondholder Rights to Enforce Payment on Bonds. Nothing contained in the Trust Agreement shall affect or impair the right of the holders of any bonds to enforce the payment of the principal of or the redemption premium on or the interest on the bonds or the obligation of the County to pay the principal of, the redemption premium on and the interest on the bonds issued under the Trust Agreement to the holders thereof at the places, on the dates and in the manner provided in the Trust Agreement and in said bonds.

### ***Rights and Responsibilities of the Trustee***

The Trustee accepts and agrees to execute the trusts imposed upon it by the Trust Agreement, but only upon the terms and conditions set forth therein and subject to the provisions therein, to all of which the parties thereto and the respective holders of the bonds agree.

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Trust Agreement, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts thereby created or in the enforcement of any rights and powers thereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability which may be incurred by it in connection therewith; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the County shall reimburse the Trustee from the Gross Revenues for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the County shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of the Trust Agreement and shall be entitled to a preference therefor over any of the bonds outstanding thereunder.

The Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of the Trust Agreement, or, except as to the authentication thereof, in respect of the validity of the bonds or the due execution or issuance thereof. The Trustee shall not be responsible for any losses as a result of the investments in Investment Obligations of monies in the Funds and Accounts if such Funds and Accounts were invested pursuant to the instructions of a County Representative.

The Trustee shall not be liable or responsible because of the failure of the County or of any of its employees or agents to make any collections or deposits or to perform any act required of the County under the Trust Agreement or because of the loss of any moneys arising through the insolvency or the act or default or omission of any other Depositary in which such money shall be deposited under the provisions of the Trust Agreement. The Trustee shall not be responsible for the application of any of the proceeds of the bonds or any other moneys deposited with it and paid out, withdrawn or transferred thereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions thereof. The immunities and exemptions from liability of the Trustee under the Trust Agreement shall extend to its directors, officers, employees and agents. None of the provisions of the Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct.

Subject to the provisions of any contract between the County and the Trustee relating to the compensation of the Trustee, the County shall, from the Gross Revenues, pay to the Trustee reasonable compensation for all services performed by it under the Trust Agreement and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts thereby created and the performance of its powers and duties thereunder, and, from such revenues only, shall indemnify and save the Trustee harmless against any liabilities except for liabilities arising out of the negligence or willful misconduct of the Trustee. If the County shall fail to make any payment required by the Trust Agreement, the Trustee may make such payment from any moneys in its possession under the provisions of the Trust Agreement and shall be entitled to a preference therefor over any of the bonds outstanding thereunder.

It shall be the duty of the Trustee, on or before the Deposit Day of each month, to file with the County a statement setting forth in respect of the preceding calendar month (a) the amount withdrawn or transferred by it and the amount deposited with it on account of each Fund and Account held by it; (b) the amount on deposit with it at the end of such month to the credit of each such Fund and Account; (c) a brief description of all obligations held by it as an investment of moneys in each such Fund and Account; (d) the amount applied to the purchase or redemption of bonds under the provisions of the Trust Agreement and a description of the bonds or portions of bonds so purchased or redeemed; (e) the information necessary in order for the County to comply with arbitrage rebate calculations imposed by the Internal Revenue Code of 1986, or any regulations promulgated thereunder as the same may, from time to time be amended (provided that the Trustee shall not be responsible for making such calculations); and (f) any other information which the County may reasonably request. All records and files pertaining to the trust in the custody of the Trustee shall be open at all reasonable times to the inspection of the County, its agents and representatives.

Except in the case of any event of default described in (a) or (b) under "Events of Default and Remedies" above, the Trustee shall not be obliged to take notice or be deemed to have notice of such event of default, unless specifically notified in writing of such event of default by the holders of not less than ten per centum (10%) in aggregate principal amount of the bonds secured by the Trust Agreement and then outstanding.

The bank or trust company acting as Trustee under the Trust Agreement, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of



the bonds issued under and secured by the Trust Agreement or any other obligations issued by the County and may join in any action which any bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee or a Depositary under the Trust Agreement, may engage or be interested in any financial or other transaction with the County and may maintain any and all other general banking and business relations with the County with like effect and in the same manner as if the Trustee were not a party to the Trust Agreement; and no implied covenant shall be read into the Trust Agreement against the Trustee in respect of such matters.

The recitals, statements and representations contained in the Trust Agreement and in the bonds (excluding the Trustee's certificate of authentication on the bonds) shall be taken and construed as made by and on the part of the County and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Trust Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquire as to any statements contained or matters referred to in any such instrument. The Trustee shall not be under any obligation to see to the recording or filing of the Trust Agreement or otherwise to the giving to any person of notice of the provisions thereof.

The Trustee may be removed at any time, with or without cause, at the election of the County; provided that no event or default has occurred and is continuing at the time of such election. The Trustee may be removed at any time by an instrument in writing, executed by the holders of not less than a majority in principal amount of the bonds secured by the Trust Agreement and then outstanding and filed with the County. A facsimile copy of each such instrument shall be delivered promptly by the County to the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the County or of the holders of not less than a majority in aggregate principal amount of the bonds then outstanding under the Trust Agreement.

The County may at any time and from time to time appoint one or more Depositaries to hold any one or more of the Funds and Accounts (other than the Debt Service Fund, the Debt Service Reserve Fund or the Subordinate Obligations Fund) established pursuant to the Trust Agreement. Such Depositary or Depositaries shall perform at the direction of the County the duties of the County in depositing, transferring and disbursing moneys to and from each of such Funds and Accounts as set forth in the Trust Agreement, and all records of such Depositary in performing such duties shall be open at all reasonable times to inspection by the Trustee, the County and their agents and employees. Any such Depositary shall be a bank or trust company duly authorized to exercise corporate trust powers, a member of the Federal Deposit Insurance Corporation and subject to examination by federal or state authority, of good standing,

and having a combined capital, surplus and undivided profits aggregating not less than Twenty-Five Million Dollars (\$25,000,000).

### ***Supplemental Agreements***

The County and the Trustee may, from time to time and at any time, without the consent of any bondholder or any other person, enter into such agreements supplemental to the Trust Agreement as shall not be inconsistent with the terms and provisions the Trust Agreement (which supplemental agreements shall thereafter form a part thereof),

(a) to cure any ambiguity or formal defect or omission in the Trust Agreement or in any Supplemental Agreement or to correct or supplement any provision that may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement which shall not be inconsistent with the provisions of the Trust Agreement, provided such action shall not adversely affect the interest of the bondholders, or

(b) to grant to or confer upon the Trustee for the benefit of the bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or

(c) to add to the conditions, limitations and restrictions thereafter to be observed by the County under the provisions of the Trust Agreement, or

(d) to add to the covenants and agreements of the County in the Trust Agreement other covenants and agreements thereafter to be observed by the County or to surrender any right or power therein reserved to or conferred upon the County, or

(e) to provide for the issuance of the bonds to be issued initially under the provisions of the Trust Agreement, Additional Bonds and Refunding Bonds, to provide for coupon bonds if then permitted, to provide for the issuance of uncertificated (book entry) bonds, and to provide for such other related matters as may be required or contemplated by or appropriate under the Trust Agreement, or

(f) to make any other change that, in the opinion of the County, would not materially adversely affect the security for the bonds, or

(g) to make any changes that may be required by (1) the Rating Services and to the extent necessary to prevent any then current ratings of said services in respect of the bonds from being reduced or withdrawn or (2) any Credit Bank or any Insurer to the extent such changes, in the opinion of the County, would not materially adversely affect the interest of the bondholders whose bonds are not secured by the Credit Facility or Bond Insurance Policy that requires such changes, or

(h) to provide for the issuance of Subordinate Obligations and the application of moneys held in the Subordinate Obligations Fund, or

(i) to amend any provision which affects only holders of Subordinate Obligations so long as the provisions of the Trust Agreement are complied with as if they were equally applicable to Subordinate Obligations and the holders thereof.

Not more than thirty (30) days following the execution of any Supplemental Agreement (except a Supplemental Agreement entered into pursuant to paragraph (e) above fixing the details of any Series of bonds issued to the extent such Supplemental Agreement does not amend the Trust Agreement in a manner other than as permitted thereby as to which no notice need be given) for any of the purposes of the Trust Agreement, the Trustee shall cause a notice of the execution of such Supplemental Agreement to be mailed, postage prepaid, to all registered owners of bonds at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the Supplemental Agreement and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection. A failure on the part of the Trustee to mail the notice required by the Trust Agreement shall not affect the validity of such Supplemental Agreement.

Modification of Agreement with Consent. Subject to the terms and provisions contained in the Trust Agreement, and not otherwise, the holders of not less than a majority in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such agreement or agreements supplemental thereto as shall be deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any Supplemental Agreement; provided, however, that nothing contained in the Trust Agreement shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest of any bond issued under the Trust Agreement, or (b) a reduction in the principal amount of any bond or the redemption premium or the rate of interest thereon, or (c) the creation of a senior or parity lien upon or a senior or parity pledge of Gross Revenues other than the lien or pledge created or permitted by the Trust Agreement, or (d) a preference or priority of any bond or bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the bonds required for consent to such Supplemental Agreement or (f) any change or modification affecting adversely the security provided by a Credit Facility or Bond Insurance Policy, without the consent of all bondholders adversely affected thereby. Nothing contained in the Trust Agreement, however, shall be construed as making necessary the approval by bondholders of the execution of any Supplemental Agreement as authorized in the Trust Agreement.

If at any time the County shall request the Trustee to enter into any Supplemental Agreement with the consent of bondholders for any of the purposes permitted by the Trust Agreement, the Trustee shall or shall cause the Bond Registrar to, at the expense of the County, cause notice of the proposed execution of such Supplemental Agreement to be mailed, postage prepaid, to all registered owners of bonds at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that copies thereof are on file at the principal office of the Trustee for inspection. The Trustee shall not, however, be subject to any liability to any bondholder by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Agreement when consented to and approved as provided in the Trust Agreement.

Whenever, at any time within two years after the date of the first mailing of such notice, the County shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the holders of not less than a majority in aggregate principal amount of the bonds then outstanding, which instrument or instruments shall refer to the proposed Supplemental Agreement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may execute such Supplemental Agreement in substantially such form, without liability or responsibility to any holder of any bond, whether or not such holder shall have consented thereto.

If the holders of not less than a majority in aggregate principal amount of the bonds outstanding at the time of the execution of a Supplemental Agreement shall have consented to and approved the execution thereof as provided in the Trust Agreement, no holder of any bond shall have any right to object to the execution of such Supplemental Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof or from transmitting certified copies of such Supplemental Agreements to the Bond Registrar and Paying Agent.

In each and every case provided for in the Trust Agreement the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed Supplemental Agreement, or any term or provision therein contained, is desirable, having in view the purposes of such instrument, the needs of the County, the rights and interests of the bondholders, and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the County or to any bondholder or to anyone whomsoever for its refusal in good faith to enter into any such Supplemental Agreement if such agreement is deemed by it to be contrary to the provisions of the Trust Agreement. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the County, as evidence that any such proposed Supplemental Agreement does or does not comply with the provisions of the Trust Agreement and that it is or is not proper for it, under the provisions thereof, to join in the execution of such Supplemental Agreement.

Anything to the contrary notwithstanding, no Supplemental Agreement affecting any bonds secured by a Credit Facility or Bond Insurance Policy shall become effective unless and until the appropriate Credit Banks and Insurers shall have consented thereto in writing and notice of such consents shall have been given to the Rating Services.

### ***Defeasance***

(a) If the County shall pay or cause to be paid the principal of and premium, if any, and interest on all bonds and Subordinate Obligations Outstanding under the Trust Agreement, together with all other sums payable thereunder by the County, then and in that case the rights, title and interest of the Trustee in and to the estate pledged to it under the Trust Agreement shall cease, terminate and become void, and such bonds shall cease to be entitled to any lien, benefit or security under the Trust Agreement. In such event, the Trustee shall turn over to the County any surplus in the Debt Service Fund and all balances remaining in any other funds or accounts other than moneys held for the redemption or payment of bonds; otherwise the Trust Agreement shall be, continue and remain in full force and effect.

(b) If the County shall pay or cause to be paid to the holders of any Outstanding bonds or Subordinate Obligations the principal of and premium, if any, and interest on such bonds or Subordinate Obligations, or such portions thereof, which is and shall thereafter become due and payable upon such bonds or Subordinate Obligations, or such portions thereof, such bonds or Subordinate Obligations, or such portions thereof, shall cease to be entitled to any lien, benefit or security under the Trust Agreement.

(c) Any Outstanding bond or Subordinate Obligation (or any portion thereof) shall be deemed to have been paid for the purposes of subsection (a) or (b) above when (i) there shall be deposited with a Depositary either in an amount which, or Defeasance Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount, which, together with the moneys, if any, deposited with or held by such Depositary or any Paying Agent available therefor, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said bond or Subordinate Obligation (or portion thereof) on or prior to the redemption date or maturity date thereof, as the case may be, (ii) in case said bond or Subordinate Obligation, (or portion thereof) has been selected for redemption in accordance with the provisions of the Trust Agreement prior to its maturity, the County shall have given to the Trustee irrevocable instructions to give in accordance with the provisions of the Trust Agreement, notice of redemption of such bond or Subordinate Obligation (or portion thereof), (iii) in the event said bond or Subordinate Obligation is not to mature or be redeemed within the next succeeding sixty (60) days, the County shall have given the Trustee irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to the Trust Agreement, notice to the holder of said bond or Subordinate Obligation (or portion thereof) stating that moneys or Defeasance Obligations have been deposited with the Depositary as provided in the Trust Agreement and that said bond or Subordinate Obligation (or portion thereof) is deemed to have been paid in accordance with the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal thereof and premium, if any, and interest thereon and (iv) provisions satisfactory to the Trustee shall have been made for the payment of the Bond Registrar and the Trustee's fees and expenses, and any Paying Agent's fees and all fees and expenses payable by the County in connection with the defeasance of said bond or Subordinate Obligation.

(d) The moneys and Defeasance Obligations deposited with the Depositary pursuant to the Trust Agreement and all payments of principal or interest on any such Obligations shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the

payment of the principal of and premium, if any, and interest on said bonds or Subordinate Obligations (or portions thereof) deemed to have been paid in accordance with the Trust Agreement.

(e) If bonds or Subordinate Obligations (or portions thereof) are deemed to have been paid as described above by reason of the deposit with the Depositary of moneys or Defeasance Obligations, no amendment to the provisions of the Trust Agreement which would adversely affect the holders of such bonds or Subordinate Obligations (or portions thereof) shall be made without the consent of each holder affected thereby.

(f) All money and Defeasance Obligations held by the Depositary, Bond Registrar or the Paying Agents pursuant to the Trust Agreement shall be held in trust and applied to the payment, when due, of the bonds or Subordinate Obligations (or portions thereof) payable therewith.

(g) In order for bonds or Subordinate Obligations to be deemed to have been paid as provided in Subsection (c) herein, a verification report must first be prepared and delivered by a firm of independent certified public accountants acceptable to the Trustee.

(h) Bonds or Subordinate Obligations paid by an Insurer pursuant to a Bond Insurance Policy shall not be deemed to have been paid and shall continue to be due and owing until paid by or on behalf of the County in accordance with the terms of the Trust Agreement.

(i) The provisions of the Trust Agreement may be modified with respect to bonds or Subordinate Obligations of any Series that constitute Variable Rate Bonds and/or Optional Tender Bonds.

**APPENDIX D**

**Proposed Form of Opinion of Bond Counsel**

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[Form of Opinion of Potter Anderson & Corroon LLP, Bond Counsel]

[Closing Date]

Sussex County, Delaware  
Administrative Office Building  
2 The Circle  
Georgetown, Delaware 19947

Re: **Sussex County, Delaware**  
**\$ \_\_\_\_\_ Wastewater Revenue Refunding Bonds**  
**(West Rehoboth Expansion Sewer Project), Series 2005**

Ladies and Gentlemen:

We have acted as bond counsel to Sussex County, a County of the State of Delaware (the "County"), in connection with the issuance by the County of its \$ \_\_\_\_\_ Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 2005, dated November 1, 2005 (the "Series 2005 Bonds").

The Series 2005 Bonds are issued pursuant to Chapter 67, Title 9, Delaware Code, as amended (the "Act"), Ordinance No. [ ] adopted by the Sussex County Council on October 11, 2005 (the "Ordinance") and a Trust Agreement dated as of April 1, 1994, as supplemented and amended between the County and Wilmington Trust Company, as Trustee (the "Trust Agreement") for the purpose of (i) currently refunding the County's Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 1995 (the "Series 1995 Bonds"), the proceeds of which were used to advance refund the County's Wastewater Revenue Bonds (West Rehoboth Expansion Sewer System), Series 1994 (the "Series 1994 Bonds"), the proceeds of which were used to pay a portion of the costs of the planning, construction, acquisition and installation of sanitary sewer collection, transportation, treatment and disposal facilities (the "West Rehoboth System") and (ii) paying the costs of issuance of the Series 2005 Bonds. Under the Trust Agreement, the County has pledged certain revenues (the "Revenues") for the payment of the principal of, premium (if any) and interest on the Series 2005 Bonds when due.

As bond counsel, we have examined the Act, certified copies of the Ordinance, the Trust Agreement and the form of the Series 2005 Bonds. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents and have reviewed such questions of law as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

We have relied on a certificate of the County as to the due execution and delivery of, and payment for, the Series 2005 Bonds. As to any facts material to our opinion we have, when such facts were not independently established, relied upon the aforesaid instruments, certificates and documents including the Tax Exemption Agreement and Certificate between the County and the Trustee, dated the date of issuance of the Series 2005 Bonds (the "Certificate") and the statement of reasonable expectations of future events set forth in such Certificate.

Based on the foregoing, we are of the opinion that, under existing law:

1. The County is a political subdivision and county of The State of Delaware, and has the power and authority within all applicable constitutional and legal limitations to adopt the Ordinance and enter into the Trust Agreement, to perform the agreements on its part contained therein, and to issue the Series 2005 Bonds.

2. The Trust Agreement has been duly authorized, executed and delivered by the County and constitutes the valid and binding limited obligation of the County enforceable against the County in accordance with its terms. The Trust Agreement creates a valid lien on the Revenues and the other funds pledged thereunder for the security of the Series 2005 Bonds on a parity with other bonds (if any) issued or to be issued under the Trust Agreement.

3. The Series 2005 Bonds have been duly authorized and executed by the County, and are valid and binding limited obligations of the County, payable solely from the Revenues and the other funds provided therefor in the Trust Agreement.

4. Interest on the Series 2005 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2005 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2005 Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2005 Bonds.

5. So long as the interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes, it will also be excluded from taxable income for the purposes of personal and corporate income taxes imposed by The State of Delaware except for the franchise tax imposed on a bank's net income.

We express no opinion regarding the accuracy, completeness, sufficiency or fairness of the information set forth in the Official Statement or other offering documents of

the County delivered to purchasers of the Series 2005 Bonds and we take no responsibility therefor. Further, we express no opinion regarding tax consequences arising with respect to the Series 2005 Bonds other than as expressly set forth herein.

Very truly yours,

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**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**SUSSEX COUNTY, DELAWARE**  
**\$18,500,000 WASTEWATER REVENUE REFUNDING BONDS**  
**(WEST REHOBOTH EXPANSION SEWER PROJECT)**  
**SERIES 2005**

**CONTINUING DISCLOSURE AGREEMENT**

This CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is executed and delivered by Sussex County, Delaware (the "County") in connection with the issuance of the County's \$18,500,000 Sussex County, Delaware Wastewater Revenue Refunding Bonds (West Rehoboth Expansion Sewer Project), Series 2005 (the "Bonds"). The Bonds are being issued pursuant to an Ordinance passed by the County Council on October 11, 2005. The County intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

**Section 1. Purpose of the Disclosure Agreement**

This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The obligations of the County hereunder shall be limited to those required by written undertaking pursuant to the Rule.

**Section 2. Definitions.**

In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"NRMSIR" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SID" shall mean any public or private depository or entity designated by the State of Delaware as a state depository for the purpose of the Rule.

**Section 3. Provision for Filing Annual Financial Information, Operating Data and Audited Information.**

(a) The County shall provide to each NRMSIR and to the SID, if any, its audited financial statements and the financial information and operating data as set forth in Exhibit B to this

Disclosure Agreement, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the respective fiscal year of the County (currently June 30), commencing with the fiscal year ending in 2005. In the event that the required information is not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ending in 2005), the County will provide unaudited financial statements within said time period.

(b) The presentation of the audited financial statements and other financial information referred to in paragraph (a) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds, provided that the County may modify the accounting principles utilized in the presentation of such financial information referred to in paragraph (a) by amending this Disclosure Agreement pursuant to the provisions of Section 6 hereof.

(c) If the County is unable to provide the audited financial statements, annual financial information and operating data within the applicable time periods specified in paragraph (a), the County shall send in a timely manner a notice of such failure in the form attached hereto as Exhibit A to each NRMSIR or to the Municipal Securities Rulemaking Board and to the SID, if any.

(d) Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

(e) As of the date hereof, the County is in compliance with its prior disclosure undertakings.

#### Section 4. Reporting of Listed Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserve funds reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of bond holders;
- (viii) bond calls;
- (ix) defeasances;



(x) release, substitution, or sale of property securing repayment of the Bonds;  
and

(xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Listed Event constitutes material information for owners of the Bonds, the County shall promptly file a notice of such occurrence with each NRMSIR or the Municipal Securities Rulemaking Board and the SID, if any.

#### Section 5. Termination of Reporting Obligations

The obligations of the County under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of Securities and Exchange Commission Rule 15c2-12.

#### Section 6. Amendment.

(a) The County may provide further or additional assurances that will become part of the obligations of the County under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion only if the following conditions are met: (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated persons with respect to the Bonds, or type of business conducted; (ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined by counsel that is expert in federal securities law matters, or is approved by the vote of the holders of more than 50% of the outstanding aggregate principal amount of the Bonds. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information.

(b) If the amendment is made to change the accounting principles to be followed in preparation of financial statements, the annual financial information for the year in which the change is made should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

This comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative.

A notice of the change in the accounting principles should be sent to the NRMSIRs or the Municipal Securities Rulemaking Board and the appropriate SID, if any.

#### Section 7. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 4(a) or (b) hereof for notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 4(a) or (b) hereof for notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 4(a) or (b) hereof for notice of occurrence of a Listed Event.

#### Section 8. Laws of Delaware.

This Disclosure Agreement, and any claim made with respect to the performance by the County of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Delaware or federal law.

#### Section 9. Limitation on Remedies.

The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the County Administrator, Sussex County, Delaware, P.O. Box 589, Georgetown, Delaware 19947, or at such other alternate address as shall be specified by the County with disclosures made pursuant to Section 4(a) or (b) hereof for a notice of occurrence of a Listed Event.

#### Section 10. Relationship to Bonds.

This Disclosure Agreement constitutes an undertaking by the County that is independent of the obligations of the County with respect to the Bonds; any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

#### Section 11. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Participating Underwriters and the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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IN WITNESS WHEREOF, this Disclosure Agreement is being executed by the County Administrator as of this 15th day of December, 2005.

SUSSEX COUNTY, DELAWARE

By: \_\_\_\_\_  
Name: Robert L. Sitckels  
Title: County Administrator

**Exhibit A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT OR  
ANNUAL AUDITED FINANCIAL STATEMENTS**

\$18,500,000

Sussex County, Delaware  
Wastewater Revenue Refunding Bonds  
(West Rehoboth Expansion Sewer Project)  
Series 2005

NOTICE IS HEREBY GIVEN that Sussex County, Delaware (the "County") has not provided an Annual Report or Annual Audited Financial Statements as required by the Continuing Disclosure Agreement which was entered into in connection with the issuance of the above-captioned bonds. The County anticipates that the Annual Report or Annual Audited Financial Statements will be filed not later than \_\_\_\_\_.

Sussex County, Delaware

By: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit B**

**CONTENTS OF ANNUAL REPORT**

\$18,500,000  
Sussex County, Delaware  
Wastewater Revenue Refunding Bonds  
(West Rehoboth Expansion Sewer Project)  
Series 2005

The Annual Report shall contain the following with respect to the prior fiscal year:

1. The County's Comprehensive Annual Financial Report; or
2. If the County no longer generates a Comprehensive Annual Financial Report, it shall provide (a) audited financial statements in form and content substantially the same as those appended to the County's Official Statement.

**APPENDIX F**

**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

# FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation**  
**Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

\_\_\_\_\_  
Assistant Secretary

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